Validation of *VAT REFUND CLAIMS*

IOTA Report for Tax Administrations

Intra-European Organisation of Tax Administrations
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Intra-European Organisation of Tax Administrations (IOTA)

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PREFACE

IOTA, as one of the major international organisations working in the field of tax administration, commits itself, besides its other activities, to issuing publications on selected topics to inform interested tax officials from IOTA Member tax administrations and other readers working in or dealing with tax administration matters.

A substantial issue for many IOTA tax administrations in their fight against VAT fraud is how difficult and time consuming the problem is, requiring tax administrations to adapt their organisation, methods and procedures in a constantly changing environment.

Following a change in the strategic focus of risk management, numerous measures have been implemented to guarantee increased security in the VAT refund process and to identify and tackle potential fraudulent behaviour. The introduction of new regulations providing effective processes to combat fraud have significantly contributed to the initiation of a more dynamic approach towards the identification of risk factors.

One of the characteristics of the VAT system is the right to deduct input VAT from output VAT, and if the input VAT exceeds the output VAT, the excess input VAT is refunded. This hallmark of the VAT system also carries a risk for VAT fraud.

On an annual basis the VAT revenue is approximately EUR 885,860 million within the EU region and the EEA Agreement countries (Norway and Iceland). However, this revenue is only the net between total declared output VAT and input VAT. Consequently, most of the VAT is money that is only being channelled through the VAT system and refunded. This is a feature of how the VAT system functions. However, it also demonstrates that it is vital to focus on the input VAT declared and the VAT refunded in order to protect the VAT revenue for the state finances.

During recent years there have been fraud cases where VAT refund claims have been used in the fraud scheme. Unfortunately, the cases are frequently detected by the tax administration after the VAT has been refunded. The general experience from these cases is that it is difficult to recover the losses; the fraud has to be stopped before the VAT is refunded. This is why tax administrations need to have a constant, strong focus on the audit of VAT returns - how are the risky VAT refund claims selected and audited by the tax administration before the VAT refund claim is paid out, and is the national VAT refund control system good enough? That is why comparing and identifying good practices amongst the IOTA Member tax administrations is beneficial.

This Report on VAT refund claims does not aim to be a good practice guide on methods that are implemented to detect and prevent fraud, but rather to point out a variety of methods that have been found to be effective in this field.

IOTA Report for Tax Administrations – Validation of VAT Refund Claims

During the preparation of the material used in this publication, input was provided by members from the IOTA Area Group "Prevention and Detection of VAT Fraud", who represent the majority of the IOTA Member tax administrations and who supported the efforts of the Task Team to collect experiences in the field of the audit of VAT returns. The IOTA Secretariat would like to thank all of them and particularly the following Task Team members: **Mincho Muskurov** (Bulgaria), **Erik Andersen**,(Denmark), **Theo Cornelissen** (Netherlands), **Guri E. Stange Lystad** (Norway), **Mateusz Grynicz**(Poland), **Sandra Luzia Assunção Rocha** (Portugal) and **Jean-Luc Wichoud** (Switzerland) who compiled this Report.

Budapest, 2011
Intra-European Organisation of Tax Administrations

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1. INTRODUCTION

The IOTA Area Group "Prevention and Detection of VAT Fraud (PDVF)" decided at its meeting in September 2008 in Bern, Switzerland, to establish a Task Team to compare the administrative practices and validation processes surrounding VAT refunds in the IOTA region with a view to increasing the effectiveness of the monitoring of VAT refunds and the prevention of related VAT frauds. The Task Team held its first meeting in Vilnius, Lithuania in January 2009 and in September of that year they issued a Questionnaire to all IOTA Member administrations. This Report is based on the responses to that Questionnaire.

The aim of any VAT system is to be an efficient process for financing the expenses of the state. One of the characteristics of a VAT system is the right for VAT registered entities to deduct input VAT from output VAT. The entity then either files a VAT return that shows VAT is to be paid to the state finances or that excess input VAT should be refunded to them. The refund will be made either directly or allocated to a "VAT account" that will be settled following later VAT periods. This basic feature of the VAT system also carries a risk for VAT fraud.

The fraud risks related to VAT refund claims are several, for example:

- Businesses deducting a higher input VAT than they are entitled to in order to improve their financial situation, for example, by using false or double invoices;
- Deduction of private expenses, for example, luxury yachts or luxury holidays, or deduction of input VAT related to non-VAT liable business;
- Pure VAT fraud by establishing a fictitious entity to file fictitious VAT refund claims to steal money from the state finances.

Combined with the risk of fraud is the challenge of handling a substantial number of VAT returns received each VAT period within a short period of time by the tax administration, often as little as three weeks. At the same time the selection of risky VAT entities is based on a VAT return with limited information.

On a yearly basis the VAT revenue is approximately EUR 885,860 million in the EU region and the EEA Agreement countries (Norway and Iceland)[1]. However, if the ratio between total declared output VAT and input VAT is compared, the percentage that amounts to the net VAT - the VAT revenue for state finances, is low. This means that most of the VAT is money that is only being channelled through the VAT system and is refunded to the businesses (VAT registered entities).

In the Questionnaire (Question 4.6) the tax administrations were asked to fill in some statistical data for the year 2008, including data on total output VAT, total input VAT and the total of VAT refund claims. For some of the countries this information is confidential, for others this information was not available. Furthermore, the information from those tax administrations that did reply is

[1] Eurostat for the year 2008, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Tax_revenue_statistics

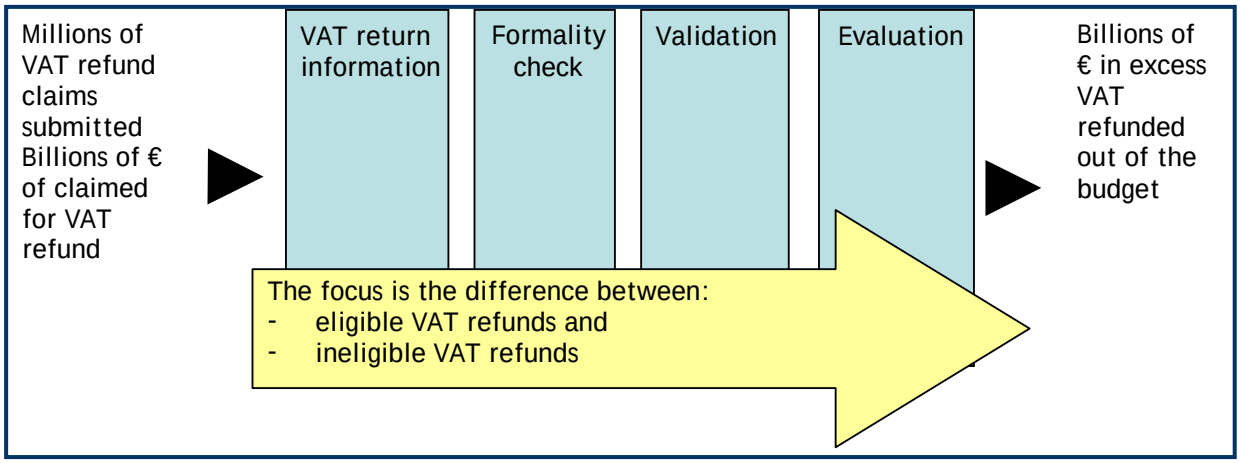
difficult to compare because some have separate tax and customs organisations and some do not. The Task Team has therefore not included this information in Annex 15. However, some examples are listed below, not specified by country or currency, just to illustrate how considerable the declared input VAT and refund claims can be compared to the net VAT revenue. In most of the countries listed in the table, the total of VAT refund claims is even higher than the total net VAT declared.

Country	**Total Sum Output VAT**	**Total sum Input VAT**	**Net VAT**	**Total Sum VAT Refund Claims**
1	133.9 billion	126.3 billion	7.6 billion	4.7 billion
2	8.3 billion	7.7 billion	0.6 billion	0.7 billion
3	95.1 billion	91.1 billion	4 billion	20.7 billion
4	32.3 billion	30.5 billion	1.8 billion	3.6 billion
5	187.1 billion	111 billion	76.1 billion	124.9 billion
6	955.7 billion	874.2 billion	81.5 billion	83.9 billion
7	271.4 million	228.6 million	42.8 million	31.6 million
8	376 billion	338.2 billion	37.8 billion	59.8 billion

This is due to how the VAT system is defined. Additionally, different countries have different economies, including the size of exports and other factors that impact on the total VAT revenue. However, it also demonstrates that it is vital for tax administrations to focus on the input VAT declared and the VAT refunds in order to protect the revenue for the state finances.

During recent years there have been fraud cases where VAT refund claims have been used in the fraud scheme. Unfortunately, the cases are frequently detected by the tax administration after the VAT has been refunded. The general experience from these cases is that it is difficult to recover the losses - the fraud has to be stopped before the VAT is refunded. This is why tax administrations need to have a constant, strong focus on the audit of VAT returns - how are the risky VAT refund claims selected and audited by the tax administration before the VAT refund claim is paid out, and is the National VAT refund control system good enough? That is why comparing and identifying good practices amongst the IOTA Member tax administrations is beneficial.

The following chart illustrates the processing of VAT refund claims.



1.1. Scope of Report

The aim of the Task Team for VAT refund claims was to prepare a comparative study of the VAT refund validation processes and good practises in the IOTA region; to increase the effectiveness of the monitoring of VAT refunds and thereby enhance the prevention of VAT fraud.

The scope of the study is based on VAT returns where the output VAT is lower than the input VAT. The excess input VAT is either refunded directly or allocated to a "VAT account" to be refunded at a later stage or to be off-set against subsequent VAT due.

Refunds of VAT to foreign entities relating to costs incurred in other countries based on, for example, the EU's Eighth and Thirteenth Directives; or other national regulations, is not covered by this Report. VAT refunds to private persons (not registered for VAT purposes) are similarly not covered.

1.2. Task Team Working Methods

The Task Team issued a Questionnaire to the IOTA Member tax administrations. The Questionnaire consisted of the following parts:

- Part 1 - VAT settlement by taxpayer;
- Part 2 - Validation of VAT refund claims by the tax authority;
- Part 3 - Formalities of the VAT refund validation process;
- Part 4 - Evaluation of the VAT refund validation process.

All questions included in the Questionnaire can be found in the Table of Contents, Chapters 4 - 7. Information and answers referred to in this Report generally apply to 2009, the period during which the study was conducted. However, any figures and statistics included relate to 2008 as this was the latest calendar year for which statistics were available.

1.3. Caveat

- The available statistics on VAT key information are based on received answers. Not all tax administrations have provided the Task Team with this information. Many respondents have asked the Task Team not to publish some of the information, which is considered to be sensitive or confidential. For other IOTA Members, either information was not available or other details were provided to the Task Team with specific remarks or conditions.
- With regards to Paragraph 4.6, many of the questions on the VAT returns are the same, but asked in different ways. The list of questions does not necessarily show all the nuances from the respective VAT registration forms. Some tax administrations have direct access to the relevant information from other sources, internal or external, and therefore do not request this information on the VAT return. This is a factor that complicates the comparison.
- For deeper inquiries and more detailed and reliable information it is recommended to contact the respective tax administrations.

2. SUMMARY

As mentioned above, the tax administrations in the IOTA region pay out billions of Euros in VAT refund claims per year. The validation of these claims is a preoccupation of all tax administrations, especially to identify those that are authentic and entitled opposed to those that are unlawful or even fraudulent. As a consequence, tax administrations try to develop systems and procedures to detect those refund claims that are not due and prevent the repayment of the VAT.

Chapter 4 concerns information on VAT settlement by taxpayers and Chapter 4.6 specifically examines what information is requested on the VAT returns and the experiences of tax administrations as to how useful this information is. In attachments to the electronic version of this Report additional country-specific information is provided. There seems to be a general consensus that the information is more useful if it can be processed electronically, and some of the information that gets a high score of usefulness is commented on. In Chapter 4.7 there is an overview of what other kinds of information taxpayers are obliged to provide along with their VAT return. For example, lists of suppliers and customers. Chapter 4.8 looks at information on ways the VAT returns and attachments can be submitted (on paper or electronically). A considerable number of tax administrations have introduced obligatory electronic filing for VAT return (38%) and for attachments to be submitted (19%).

As the reader will see in Chapter 5, this survey clearly indicates that most IOTA Members use an IT system in the validation process of VAT refund claims and most of them have a specific IT system dedicated to VAT refund claims. These IT systems use various sources of information for the process. The most used sources are the VAT declaration information and background information of the entity, audit history and customs information.

Chapter 6 concerns information on formalities of the VAT refund validation process. One of the questions is about the time limit that tax administrations have for processing VAT refund claims and the consequences for not keeping to the deadline. This study shows that 92% of IOTA Members have some form of time limit for processing VAT refunds claims and 73% have additional costs if the refund is delayed.

Chapter 7 examines information about the evaluation of the VAT refund process. This survey indicates that 85% of the tax administrations evaluate the process. The main types of evaluation mentioned were the internal audit review of the refund process and the evaluation of VAT refund claim process overviews and the results of audits.

Tax administrations also expressed an opinion about the most efficient approaches to the VAT refund claim process in their tax administration and the main item mentioned was the use of a risk indicator system to define the priorities and the levels of intervention.

When the Task Team asked tax administrations about the existence of obstacles that reduce the effectiveness of the VAT refund claims process, the main points indicated were technical obstacles, particularly the lack of useful IT tools, the risk system needing to be improved or more ability or flexibility in the IT tools. These answers were predominantly given by tax administrations that did not have specific IT systems dedicated to the VAT refund claims process. Furthermore, tax administrations were asked about any parts of VAT refund process that could be adapted. The main indicator on improvement mentioned was to raise the information level and to have better risk systems to carry out automatic selections.

There seems to be a general conclusion that tax administrations believe that the use of specific IT tools dedicated to the validation of VAT refund claims are very useful and efficient.

3. EXPLANATIONS

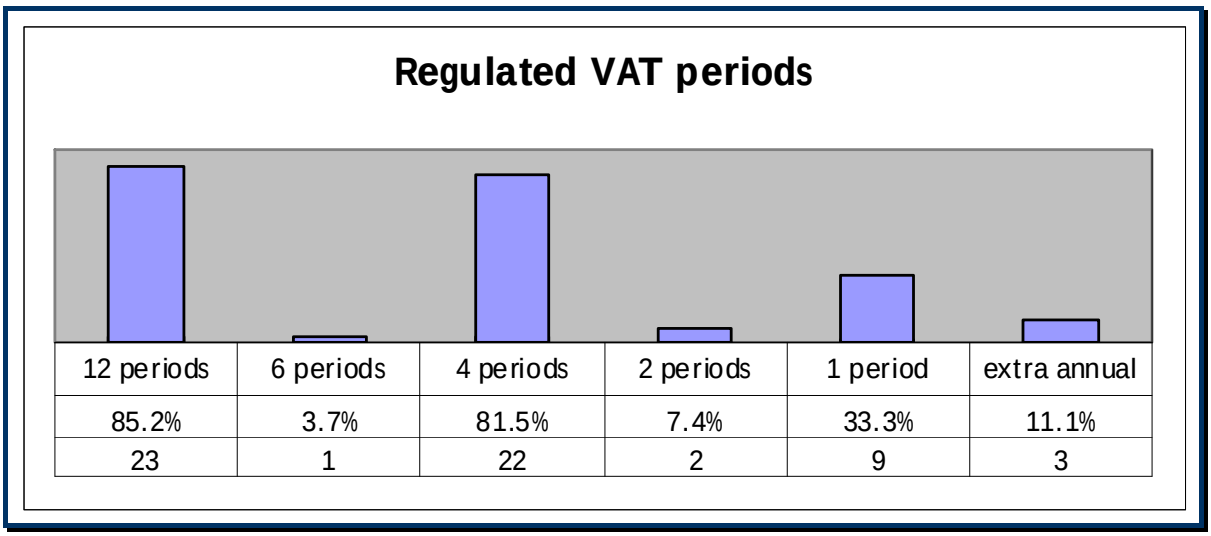
Negative VAT return
VAT return received from VAT registered entity where the input VAT exceeds the output VAT (negative result).

VAT refund claim
A demand for refund based on the negative VAT return.

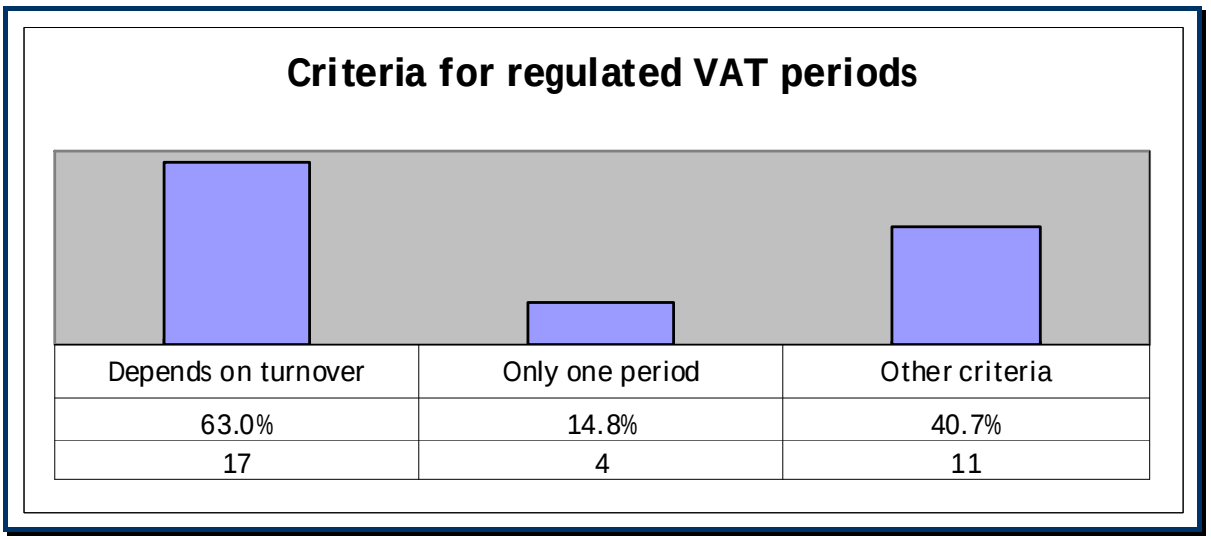
VAT registered entity
Entity being registered as having an economic activity in the relevant country (permanent establishment or by representative) which is VAT liable.

4. VAT SETTLEMENT BY TAXPAYER

4.1. VAT Declaration Periods and Criteria



12 periods	6 periods	4 periods	2 periods	1 period	extra annual
85.2%	3.7%	81.5%	7.4%	33.3%	11.1%
23	1	22	2	9	3



Depends on turnover	Only one period	Other criteria
63.0%	14.8%	40.7%
17	4	11

As indicated in the graphs (for more detailed information see Annex 2A), the most common periods are monthly and quarterly VAT declaration periods:

- Monthly - for large taxpayers;
- Quarterly - for medium and small taxpayers.

The monthly declaration period is probably associated with higher costs for accounting and therefore more costly for companies. On the other hand, monthly declaration periods lead to a more rapid refund of VAT and greater pressure on the tax administration.

Only four tax administrations (from Austria, Bulgaria, Latvia and Lithuania) indicated that they have only monthly declaration as a standard period. A closer

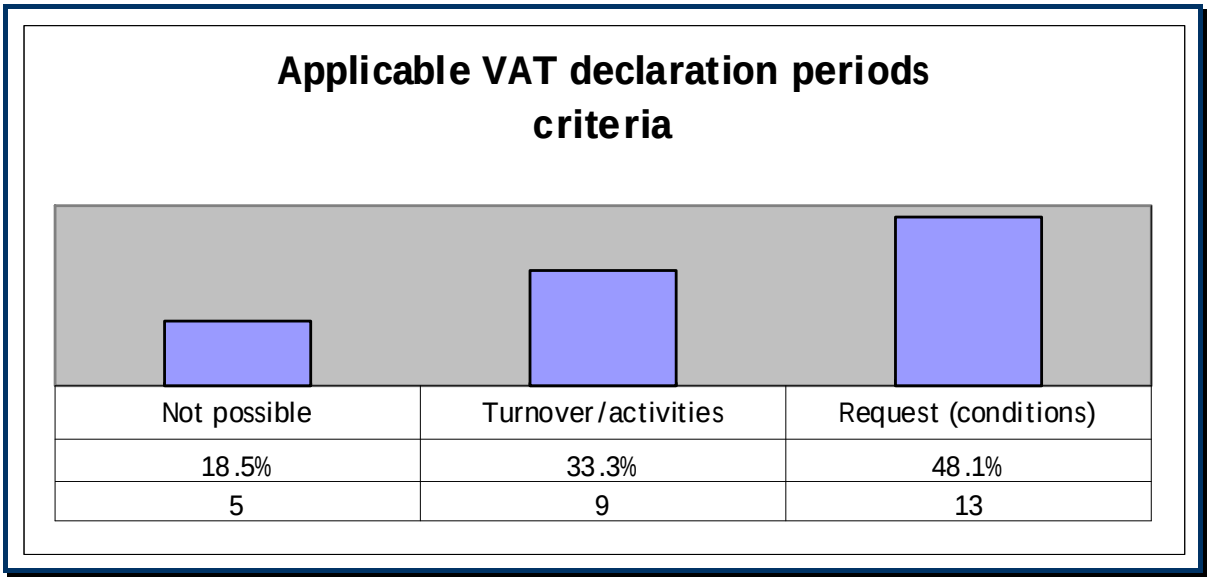
look shows that in almost all cases exceptions to these standard periods are possible. It is nice to note that in Ukraine there is a monthly VAT period for newly registered taxpayers (VAT).

Some tax administrations have introduced interesting exceptions:

- 12 month VAT declaration periods were introduced mainly for very small enterprises that have a negligible revenue share or a seasonal activity (like agriculture or fisheries).
- Where they consider it necessary in any particular case (e.g., on revenue protection grounds), the tax administration of the United Kingdom (HMRC) may vary the length of any accounting period or the start and end dates of the period. This could be one day in an extreme case.

4.2. Optional VAT Declaration Periods at Request of Taxpayer

In most countries a taxpayer can request a different return period. In these cases sometimes there are conditions to be met. In the majority of these cases a single request is sufficient.

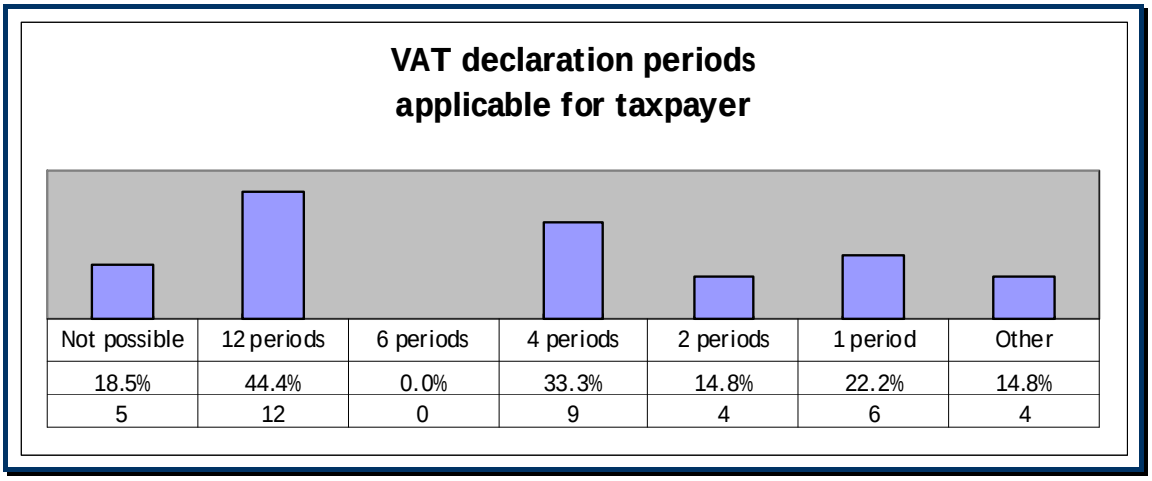


In just over 33% of the countries a taxpayer can opt for a different return period if certain turnover thresholds are exceeded or in the case of certain activities (foreign taxpayers, small enterprises, large exporters). For more detailed information see Annex 2B.

Interesting and useful to note is that where the taxpayer has a choice between several VAT declaration periods they may select and apply the most favourable return period themselves. On the one hand, it allows monitoring by the administration - the taxpayer can be checked in advance. On the other hand, it is good for taxpayers because it gives them maximum flexibility. If a company intends to make large investments and needs a faster recovery of VAT, the company may apply for a shorter period and will recover the VAT faster. On the other hand, if there is normal business without significant fluctuations or a business with no

income in some periods it can reduce the cost of accounting if the VAT return period is longer.

As the chart shows only 18% of administrations do not provide such an option. This indicates that, in general, administrations are trying to meet the needs of taxpayer as closely as possible.

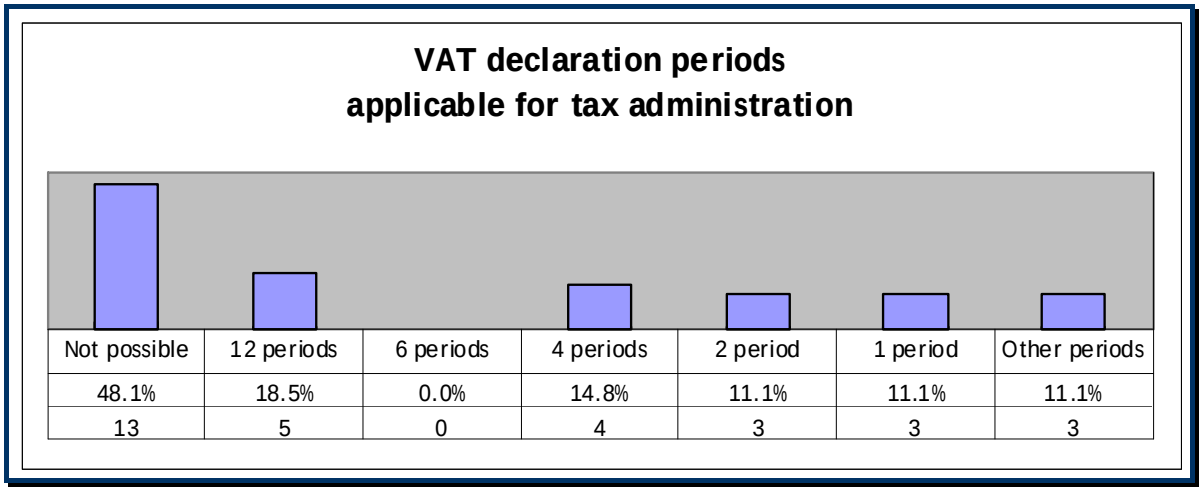


Not possible	12 periods	6 periods	4 periods	2 periods	1 period	Other
18.5%	44.4%	0.0%	33.3%	14.8%	22.2%	14.8%
5	12	0	9	4	6	4

Possible optional periods as a percentage are shown in the graph. There is a large variety from monthly (12 periods) to yearly (1 period) and other periods. Five countries do not have this option (more detailed information in Annex 2B).

One of the reasons that VAT fraud is very often detected after the VAT has been refunded could be that two companies who trade with each other often have different VAT declaration periods. The company with the shortest declaration period claims the VAT refunds. The other company, which creates false invoices, has a longer VAT declaration period. Therefore the fraud is not detected before the tax administration has to pay or check the VAT refund.

4.3. Optional VAT Declaration Periods at Request of Tax Administration



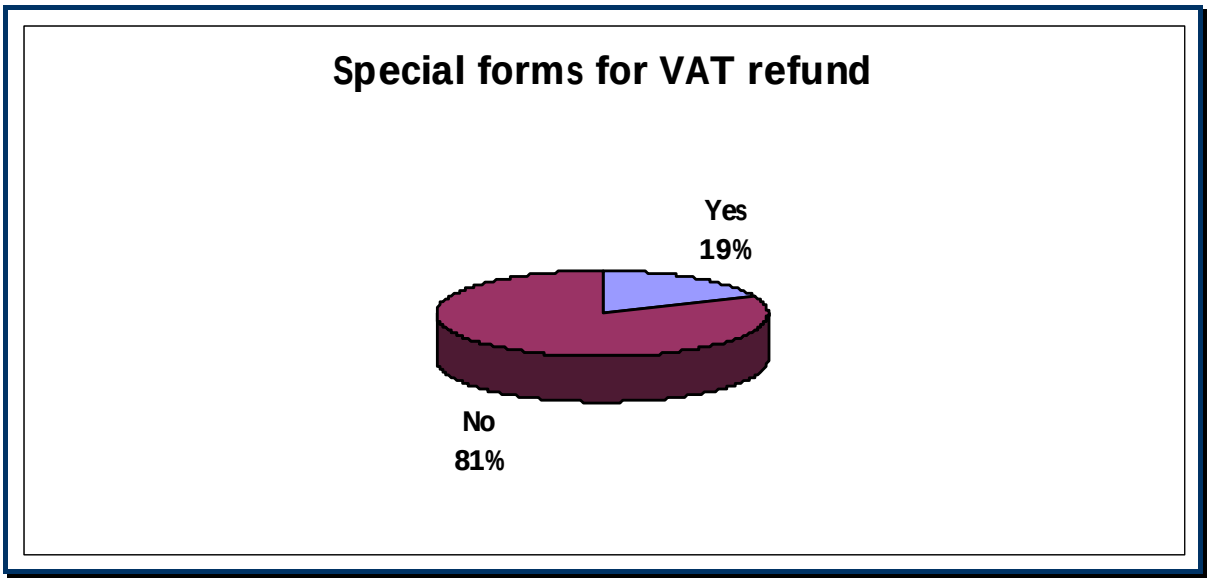
Not possible	12 periods	6 periods	4 periods	2 period	1 period	Other periods
48.1%	18.5%	0.0%	14.8%	11.1%	11.1%	11.1%
13	5	0	4	3	3	3

This question explores the possibility of the tax administration to change the VAT declaration period of certain taxpayers. This is a strong measure. It allows the administration better control over the taxpayer and it is possible to take immediate and swift action to prevent the loss of revenue.

As indicated in the chart a high percentage of administrations, more than 48 percent are unable to take advantage of this tool (for more detailed information see Annex 2C).

4.4. Special Forms for VAT Refunds

Most countries have no special forms for VAT refunds or VAT refund claims. This is due to the fact that any VAT to be refunded is the net result of the contents of the boxes on the submitted VAT declaration. 81% responded that they have no specific form for VAT refunds or VAT refund claims and one form is used for both alternatives (for more detailed information see Annex 2C).

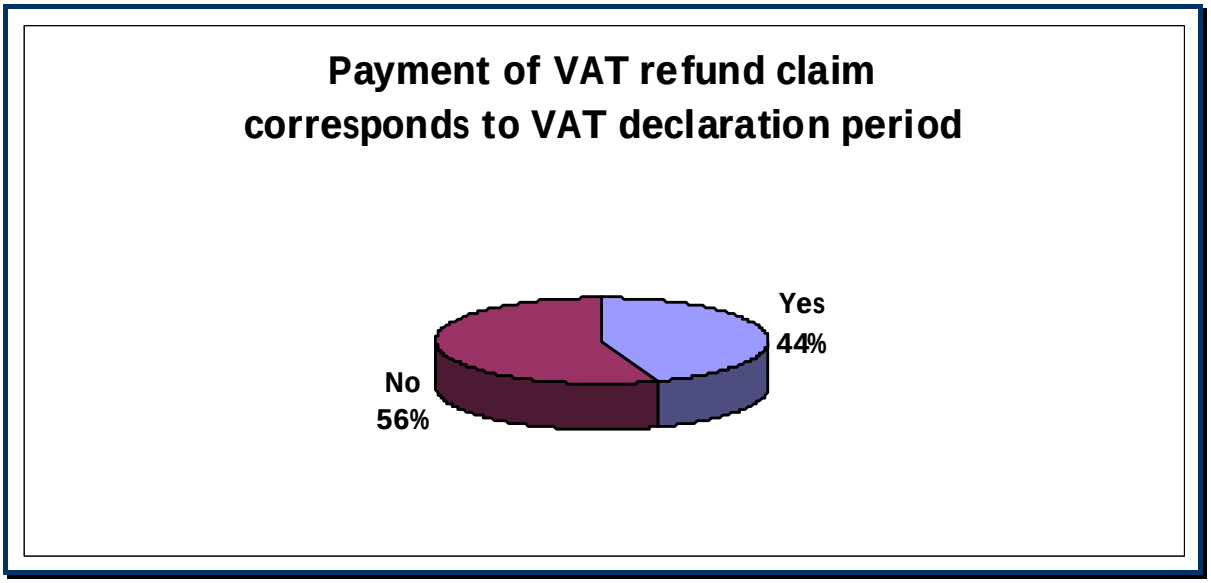


4.5. Payment of the VAT Refund Claim Related to the VAT Declaration Period

The aim of this question is to examine whether there are opportunities for alternative methods favourable to both the taxpayer and the administration. Alternatives can save costs for both the taxpayer (fewer submissions of documents, reports, etc.) and for the administration (monthly repayments of VAT place more demands on staff and resources).

In some countries the amount on the negative VAT return to be refunded is not refunded immediately. Sometimes it will be settled with future payables. In other cases certain conditions must be met, for example, in Bulgaria: “In case there are no other eligible and non-paid tax and social security liabilities…”

It is also possible, if certain conditions are met, that the repayment period will be shortened (for example, in the Slovak Republic). Finally there are countries (Portugal, Romania, the Slovak Republic) that withhold the refund. It will only be paid after a certain period (e.g., 2 or 3 months). For more detailed information see Annex 2C.



4.6. Information Requested in the VAT Return Form and Use for Risk Assessment

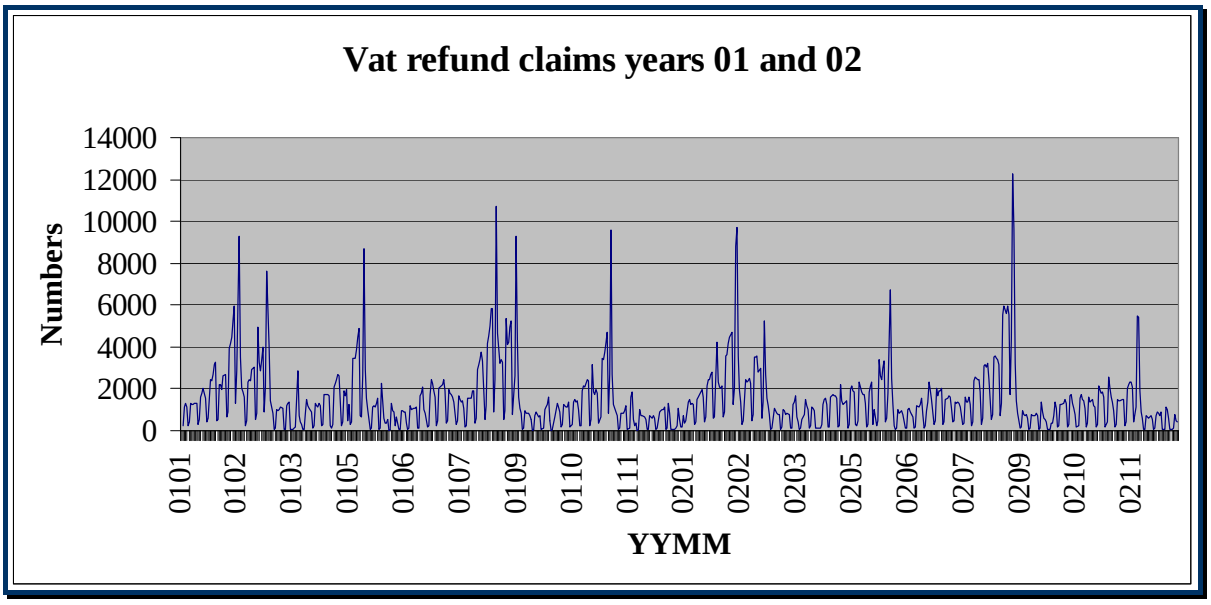
Some of the questions asked on the VAT returns are necessary to administer the payment and refund of VAT, but at the same time can also be of use for risk assessment purposes, while other questions are more explicitly linked to risk assessment. How useful the information is for the various Member administrations depends on several factors, for example, the total information to hand at the point of risk assessment the quality of their risk analyses and risk profiles and any recourse available for risk assessment at the control stage (data resources and competent personnel).

The Task Team wanted to analyse if there was a correlation between the types of questions asked on the VAT form and the results of any risk assessment of VAT refund claims. The IOTA Member tax administrations were asked to specify what questions were asked on their VAT return, if the information was used for risk assessment of the taxpayer and their experience of how useful this information was. The usefulness is rated from 1 to 3, 1 for “not useful”, 2 for “useful” and 3 for “very useful”. In Annex 2 there is an overview of the questions asked and which countries asked the various questions on their VAT return form.

The most common questions have been listed in the table. Some countries request other information on their VAT return. To see what questions are asked under “other questions”, and which tax administrations ask these questions, please see the table at Annex 2D.

4.6.1. Findings

The majority of tax administrations have automated the risk assessment process involving the selection of VAT returns to be audited (see more under Chapter 5). The advantage of an automated process is that it depends less on the competence and experience of the auditor and the workload. The workload is an important factor since the flow of incoming VAT returns is not constant, but has peaks and troughs (see, for example, the chart visualising the VAT return flow in one country[2]).



However, in those tax administrations where the selection process is manual, the experience and gut feeling of the auditor will always influence the final selection and audit of the VAT returns. The ability to detect mistakes will always depend on competent auditors. Consequently, developing the competences required by personnel tasked with auditing the VAT returns will always be important. Automated risk selection has to be based on well founded risk analysis and selection criteria (there is more about the selection process in Chapter 5).

Examining the responses on how useful information is in the risk assessment process, there seems to be a relationship between an automated process and how useful the information is considered to be. There is a higher score in the responses from tax administrations if the information is processed automatically.

The Task Team would like to highlight some of the specific questions that are asked by tax administrations on their VAT returns, where the subsequent use of such information is beneficial to the risk assessment process.

[2] The periods shown and numbers are fictitious, the trend, however, is illustrative.

4.6.2. Questions Related to Output VAT

"Domestic supplies where reverse charge applies"
The supplier does not calculate VAT on his/her domestic supplies where a reverse charge applies; this is the responsibility of the customer. The information provided explains why VAT is not calculated on part or the whole of the turnover and is therefore useful in assessing the risk of the incoming VAT returns. An alternative view is that someone is trying to "shrink" the turnover liable to VAT by reporting parts of their income as subject to a reverse charge. This is a risk that has to be considered when auditing VAT returns.

Eleven tax administrations (42.3%) ask for this information on their VAT return; 9 of these (34.6%) have a specific box for the question and 7 - process this information automatically as part of their risk analysis. There are perhaps insufficient replies to draw a positive conclusion on how useful the information is, however, 6 of the tax administrations consider this information to be "very useful", 2 consider it to be "useful" and 3 have made no comment.

"Domestic acquisition where reverse charge applies"
The acquirer will calculate VAT on acquisitions where a reverse charge applies. The total output VAT will therefore be higher that the corresponding turnover of the business. This information could therefore explain the relationship between various other elements of the VAT return.

Eleven tax administrations (42.3%) ask for this information in their VAT return; 8 of these (30.8%) have a specific box for this question and 7 process this information automatically as part of their risk analysis. Five of the tax administrations consider this information to be "very useful", 3 consider it to be "useful" and 3 did not comment.

"Turnover related to export"
Turnover related to export is zero-rated. A large VAT refund claim could be explained by export; at the same time it is a risk that turnover liable to VAT is miss-described as export or that the VAT return as such is false and is being used to obtain a refund as part of a fraud. This information is therefore of considerable interest in the risk assessment process.

24 tax administrations (92.3%) ask for this information on their VAT return; 17 of these (65.4 % of total) have a specific box for this question and 15 process this information automatically in their risk analysis. Thirteen of the tax administrations consider this information to be "very useful", 8 consider it to be "useful" and 3 have not commented on how useful they find this information.

"Turnover related to EU supplies"
This information is relevant for EU countries only and concerns turnover that is zero-rated[3]. This information may explain why part of the turnover is zero-rated,

[3] Or exempted with the right of deduction.

whilst at the same time this process could be abused to hide turnover liable to VAT or to acquire a VAT refund based on false information.

Seventeen tax administrations (65.4%) ask for this information on their VAT return; all of these 17 have a specific box for the question and 14 process this information automatically in their risk analysis. Eleven of the tax administrations consider this information to be "very useful", 3 consider it to be "useful" and 3 have not commented.

"Turnover related to other zero rates"
This question relates to domestic sales where a zero rate applies. A large VAT refund claim could be explained by such domestic sales, whilst at the same time it is a risk that VAT liable turnover is being miss-described as such; or that the VAT return is false and is being used to obtain a refund as part of a fraud. This information is therefore of considerable interest when selecting and auditing VAT returns, especially if it could, for example, be combined with information on specific trade sectors.

Fourteen tax administrations (53.8%) ask for this information in their VAT return, 10 have a specific box for this question and 9 use this information automatically in their risk analysis process. 9 of the tax administrations consider this information to be "very useful", 2 consider it to be "useful" and 3 have not replied to how useful they find this information.

"Other questions related to output VAT"
The tax administration in the UK requests information about output VAT due where the customer issues a self-billed sales invoice. This information is used for manual risk assessment and is considered as useful information. The Task Team would like to add that self-billing embodies a risk of mistakes and VAT fraud and that having access to such information, when auditing VAT returns, adds more relevant information for risk assessment.

The tax administration of Ukraine asks for information about services supplied by non-residents. This information is again used for manual risk assessment and is considered as very useful.

The Dutch tax administration requests information about the private use of goods on the VAT return, for example, cars. Such use may affect the right to deduct input VAT or a need to calculate output VAT. The usefulness of this information is, however, not commented on in the reply.

The Polish tax administration commented on a number of more specific questions related to output VAT that they ask. They have a specific box on "supply of goods and provision of services outside of the territory of the country". Their experience from receiving this information is regarded as "useful".

4.6.3. Questions Related to Input VAT

Since input VAT either reduces the net VAT to be paid or entitles the VAT registered entity to have the excess VAT refunded, it is important to have access to the relevant information at the point of auditing the VAT returns, preferably before refunding any excess VAT. The more information there is at hand when reviewing the VAT returns, the better the basis is for identifying those that represent a high risk for audit or to request additional documentation from. This also provides for a quicker refund of VAT to those that represent less of a risk.

It is important to have an access to relevant and accurate information when handling the VAT returns. If the VAT is refunded and it turns out afterwards that the refund is based on false information, the general experience is that it is difficult to reclaim the money.

"Sum import"[4]
This information is relevant when considering the activity of the entity in question. If there is a suspicion that the trade for some reason is channelled through another country, then, for example, the information could be combined with information about exports and margin.

Eighteen tax administrations (69.2%) ask for this information in their VAT return, 12 have a specific box for this question and 9 process the information automatically in their risk analysis. Eight of the tax administrations consider this information to be "very useful", 5 consider it to be "useful" and one has replied that it is not useful. Four have not commented on how useful they find this information.

"Input VAT related to EU acquisitions"
This information could expose the company profile. It is particularly useful if the purchases on the domestic market and the acquisitions from other EU countries have been significantly modified. This could mean that the persons behind the company have established a missing trader on the national market.

Fourteen tax administrations (53.8 %) ask for this information in their VAT return, 11 have a specific box for this question and 10 process the information automatically in their risk analysis. Eight of the tax administrations consider this information to be "very useful" and 4 consider it to be "useful". Four tax administrations have not responded.

"Sum acquisitions other zero rates"[5]
This information is useful to get a broader base for assessing the risks related to the VAT returns received and potentially reveals useful information on a number of the acquisitions that the claim is based on.

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[4] Sum import = the total amount of all the imports in to the country for which the VAT declaration has been submitted.

[5] Sum acquisitions other zero rates = the total amount of purchases of the trader and is charged to him/her at a zero rate other than EU intra-Community acquisitions.

Eight tax administrations (30.8%) ask for this information in their VAT return, 4 have a specific box for this question and 3 use the information automatically in their risk analysis process. Three of the tax administrations consider this information to be "very useful", 4 consider it to be "useful" and 1 has not commented on how useful they find this information.

"Acquisitions or input VAT related to investments"
There is always suspicion about any sudden rise in the input VAT for an established business. When it involves a new business it is natural that there is higher input VAT during the start-up phase, but at the same time there is always the risk of a fictitious entity filing false refund claims. It is therefore useful to have immediate access to more information on the reason for the input VAT claim so as to get a better understanding for the risk assessment process. For example, how much of the input VAT is related to the acquisition of stock and how much it is related to investments.

Twelve tax administrations (46.2%) ask for this information on their VAT return, 10 have a specific box for this question and 7 use this information automatically in their risk analysis process. Eight of the tax administrations consider this information to be "very useful", 3 consider it to be "useful" and 1 has not replied to this question.

4.7. Other Kind of Obliged Information

Here the Member-administrations were asked to explain if the applicant for a VAT refund has to submit any other kind of additional information to the VAT return (without prior request).

In the following table the percentage indicates how many of the 26 respondents to this part of the Questionnaire ask for additional information and the percentage of the total who responded to the Questionnaire that use it for risk assessment.

Some countries have provided descriptions or comments to the various alternatives. These comments can be found in the country replies available in the electronic version. Other tax administrations have asked for alternative information to that listed in the table. The kind of information they requested is detailed at the bottom of the table below.

Almost all of the administrations that ask for additional information use this for risk assessment.

Concerning the suppliers list, 8 tax administrations request this information and 7 of them use it for risk assessment. However, based on the comments from all tax administrations, it seems that only 5-6 countries require this information without prior request and that the rest require this information for any following desk audit. The Questionnaire did not ask for country experiences as to the usefulness of this information, so unfortunately this is not available. However, such information could provide the basis for automated cross-checking, if technically possible.

Five tax administrations have indicated that they ask for a clients list and four use this information for risk assessment. However, based on comments from other tax administrations there seems to be only 3 who require taxpayers to submit this information without prior request. The remainder require this kind of information only for any subsequent desk audit of the VAT returns. It is assumed that most tax administrations have an option to request this kind of information and use it to perform desk audits.

The same occurs when it comes to the list of input invoices (requested by 3 - 4 tax administrations based on their comments, the rest require this information for any desk audits). As for a list of output invoices (requested by 2 tax administrations) the same pattern was observed.

With regards to import or export documentation only 2 - 3 tax administrations make this an obligatory requirement. However, two other tax administrations have responded, saying that this information is already in their computer systems. Since false exports are one of the risks in the VAT system, having easy and rapid access to such information is an advantage.

Additional Information	Asked for	Used for Risk Assessment	Additional Comments
Suppliers list	AZ, BA, BG, FR, LV, LT, PT, UA 30.8%	AZ, BG, FR, LV, LT, PT, UA 26.9%	AZ, BA, BG, FR, LT, PT, UA
Clients list	BA, BG, LT, PT, UA 19.2%	BG, LT, PT, UA 15.4%	AT, BA, BG, LT, PT,UA
List of input invoices	BA, BG, HR, FR, LV, LT 23.1%	BG, HR, FR, LV, LT 19.2%	AT, BA, BG, FR, LT
List of output invoices	BA, BG, HR, LT, LV 19,2%	BG, HR, LT 11.5%	AT, BA, BG, LT
Import, export documents	AZ, BA, HR, FR, PT, RS, UA 26.9%	AZ, HR, FR, LV, PT, RS, UA 26.9%	AT, AZ, BA, DK, FR, LV, PT, RS, UA

Other information required to be submitted:

Croatia:

Contracts;
Balance sheet.

Hungary:

Intra-Community supplies (goods and, from 2010, services as well);
Intra-Community acquisitions (goods and, from 2010, services as well);
Acquisitions of new means of transport.

Italy:

Bank guarantee or insurance guarantor.

Latvia:

Intra-Community supplies;
List of timber suppliers and recipients;
Information on goods received from EU Member States;
Information on VAT payment on acquisition of a new vehicle or services received.

Poland:

If taxpayer:
Made supplies or provided services outside of the country;
Provides tourist services;
Makes supplies of second hand goods, works of art, collector's items or antiques;
Makes supply, Intra-Community acquisition or imports investment gold;
Is the second one in sequence of a triangular transaction.

Portugal:

Suppliers and clients list related to the previous period. The same lists regarding the previous VAT periods (maximum of three) have to be sent if during the period of the return VAT deducted is less than the amount of the refund claim and there is a reported credit more than 25% of the refund claim.

Republic of Serbia :

There are special provisions when importing goods from or exporting goods to Kosovo and Metohija.

Spain:

In case of the "monthly VAT refund system" the taxpayer must complete a supplementary form containing all the information from their VAT records (supplies, acquisitions and investments).
There is also a quarterly informative return on EU acquisitions and deliveries of goods[6].

Ukraine:

Bills, if available.

4.8. Other Ways for Submission of VAT Returns and Additional Documents

The tax administrations were asked to explain ways in which the VAT returns and attachments could be submitted. The most common solution with regards to VAT returns was to have the option to file on paper or electronically. However, 38% of the tax administrations have introduced obligatory electronic filing for the VAT return.

Electronic filing can facilitate better use of electronic risk assessment to combat VAT fraud. Furthermore, it makes it easier to make changes to the questions asked and to differentiate between refund claims and payments of excess VAT7. The table on the next page shows which countries have obligatory or optional filing requirements.

[6] From 2010 it includes also EU Intra-Community services, which is a monthly return; although under specific circumstances it can be bimestrial, quarterly or annual.

[7] Task Team wishes to emphasise that the costs of adapting automated systems can not be underestimated.

	On paper		Electronically		Used for cross-check
	Obligatory	**Optional**	**Obligatory**	**Optional**	
VAT return	IT, PL, RS, RO, CH 19.2%	BG, HR, CZ, EE, FR, HU, LV, LT, NO, RO, SK, ES, SE, UA 53.8%	AT, DK, FR, HU, NL, PT, RS, RO, SI, ES, UK 42,3%	AZ, BG, CZ, HR, EE, FR, HU, LV, LT, NO, RO, SK, ES, SE 53,8%	
Attachments on official forms	AZ, BA, BG, HR, FR, IT, SK, CH 30.8%	AT, LV, SE 11.5%	BG, CZ, PT, SI, ES 19.2%	AT, AZ, HR, LV, SK, SE 23.1%	AT, BG, HR, LV, PT, SE 23.%

Some tax administrations have made additional comments to these questions:

Bulgaria:
The taxpayer has two options – to go to the tax office and give the paper version of reference declarations and registers on magnetic or optical media, or to send all the reference declaration and registers by electronic means. If they go to the tax office, they must have a signed and stamped paper version of the reference declaration and registers and also must have the registers on magnetic or optical media.

Italy:
The VAT refund application is submitted on paper, but the VAT return must be submitted electronically. The additional documents are attached to the VAT refund application (VER. form).

Latvia:
Taxpayers, except for natural persons who do not carry out business activities, shall submit tax and informative returns to the State Revenue Service (SRS) electronically. Taxpayers, when submitting returns electronically to the SRS use the electronic declaration system of the SRS.

Netherlands:
Electronic filing is obligatory except for foreign companies and taxable persons with a special permit to submit VAT returns on paper.

Romania:
Taxpayers who do not have a digital certificate must submit returns on paper.
For taxpayers who own a digital certificate it is optional on paper.
Obligation to electronic submission for large taxpayers.

Serbia:
Our largest taxpayers exclusively submit their tax returns electronically as well as all other communication with the Tax Administration of the Republic of Serbia, except in cases of amended tax returns when the large taxpayers are obliged to submit it in person.

Slovakia:
The relevant legislation states that the tax return is submitted in paper format. However, if the company has an electronic signature it may submit it electronically.

Spain:
Electronic submission is compulsory for:
- Monthly VAT refund system (with its attachments);
- Large enterprises;
- Public and private limited companies;
- The return to declare EU Intra-Community acquisitions and deliveries, in case that it contains over 15 entries.

United Kingdom:
From April 2010 all new businesses have to file electronically and all businesses at that time with a turnover greater than 100 thousand have to file electronically also. From April 2012 remainder will be required to submit electronically also. A few exceptions to this process will remain.

With regards to the option or obligation to include other attachments to the VAT return, the table below shows which documents are involved and in the way in which they should be filed.

Other attachments	On paper		Electronically		Used for cross-check
	Obligatory	**Optional**	**Obligatory**	**Optional**	
Croatia – separately on paper	**X**				
Denmark – separately by mail/ e-mail		**X**		**X**	
Slovenia – Invoices, import-/ export documents		**X**		**X**	**X**
Ukraine – customs declarations	**X**				

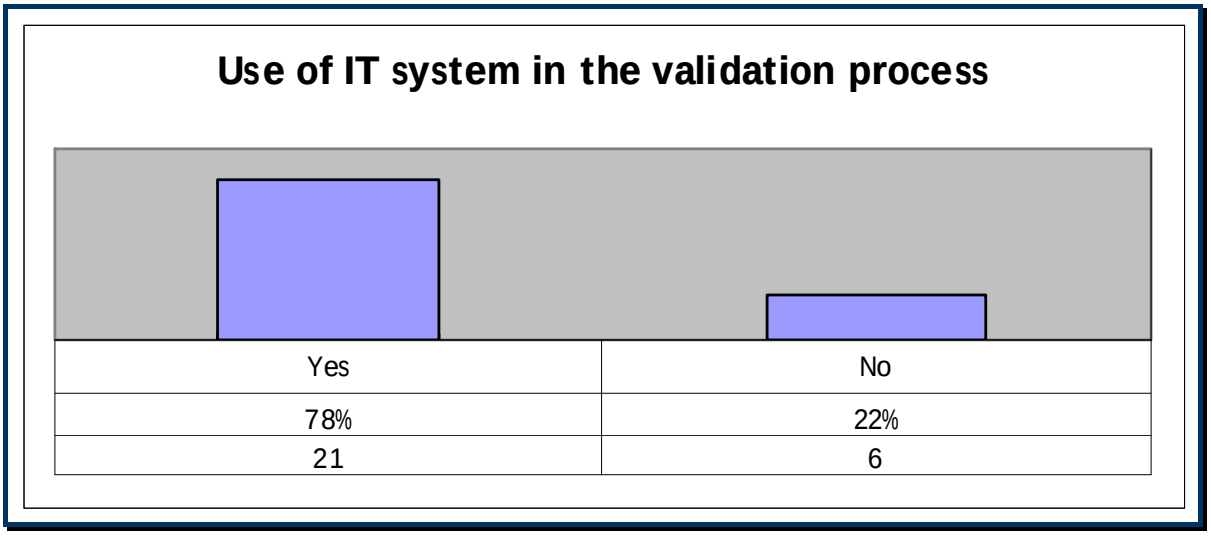
5. VALIDATION OF VAT REFUND CLAIMS BY THE TAX AUTHORITY

In part 2 of the Questionnaire, the Task Team wished to determine how the process of validating VAT refund claims was organised. Therefore it is important to understand if there are a number of different stages in this process and what their significance is. Question 2.1 concerns the initial selection. Question 2.2 examines any subsequent selection where applicable. (See the process flow diagram at Annex 1).

5.1. Use of IT System in the Validation Process

Because of the large number of taxpayers claiming VAT refunds, the large amounts involved and the large scale abuse in this field which results in significant tax losses for the revenue (taking into consideration the proportion of receipts from VAT in relation to the total amount of budgetary receipts), analysis of VAT refund claims submitted to the tax authorities and verification of the basis of those claims and other issues related to them is of considerable importance. Applying an efficient validation process to VAT refund claims will significantly contribute to the increase in effectiveness of controls designed to prevent revenue losses in this area.

With limited human resources and a high level of risk related to entities claiming VAT refunds, tax administrations have found that IT tools have a very useful role to play in automating the validation process. This has been confirmed by the responses received to Question 2.1 of the Questionnaire (see chart below).



Out of 27 tax administrations that responded to the Questionnaire only 6 of them (22%) apply manual VAT refund validation processes, including the tax administrations of Bosnia & Herzegovina (planning to introduce an automatic selection of VAT refunds for audit in the future), Croatia, Italy, Luxembourg, Slovenia[8] and Ukraine.

[8] The Slovenian tax administration has evolved a new IT system which supports VAT refund validation process on bases of business rules

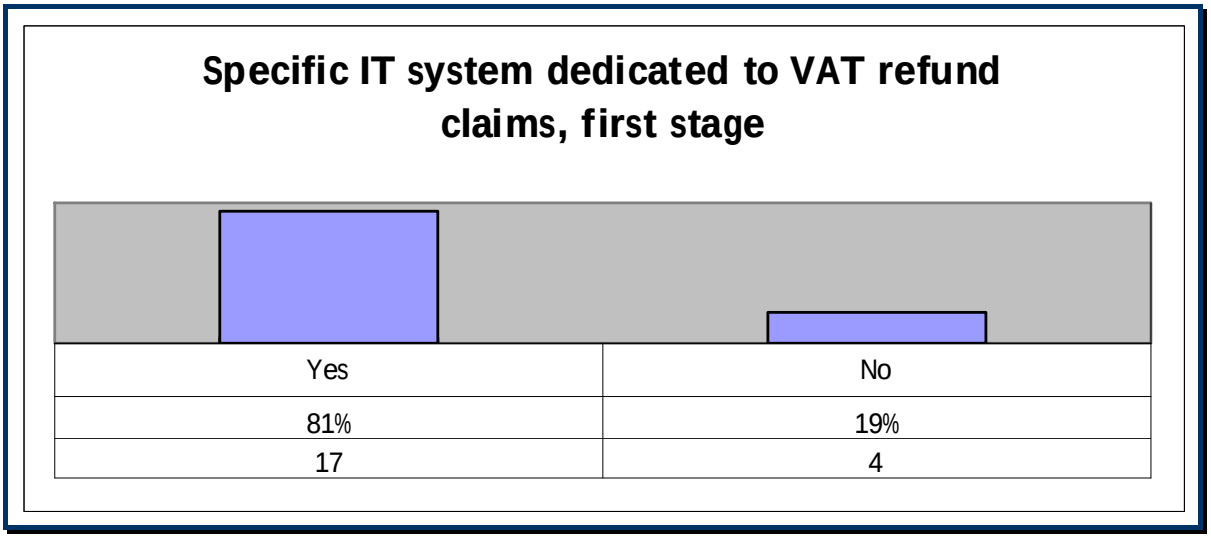
In a number of tax administrations it is a requirement for taxpayer to submit additional documents when claiming a VAT refund. For example, in Luxembourg, validation is based on the original invoices that must be attached to each application for a VAT refund. There is no IT system.

Moreover, in case of doubt taxpayers are also asked to provide the proof of payment. In Croatia when claiming a VAT refund, the taxpayer must provide the tax administration with a list of input invoices, a list of output invoices, import, export documents, contracts, etc.

Details of the manual validation procedures applied by tax administrations for VAT refunds may be found in the individual responses to the Task Team Questionnaire as well as a brief summary in Annex 3.

5.1.1. Specific IT System Dedicated to VAT Refund Claims

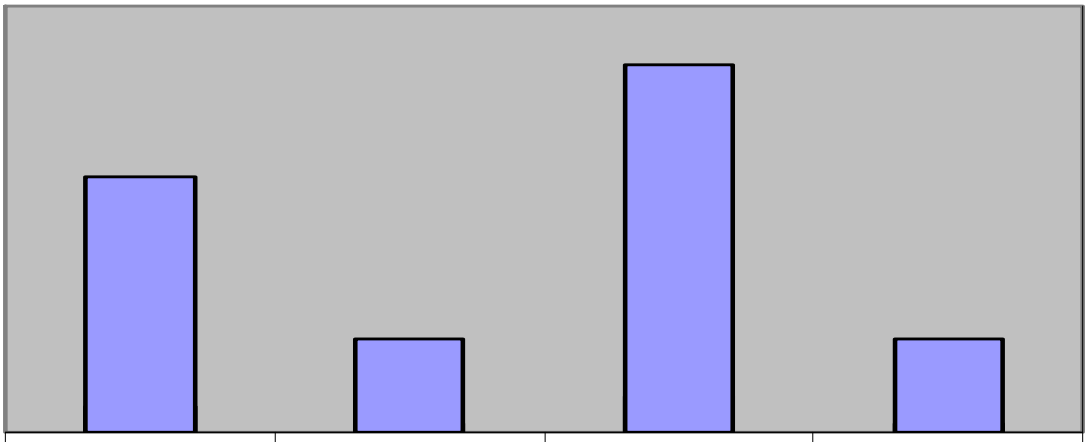
Twenty one out of 27 tax administrations (78%) indicated that they use IT systems in the course of the VAT refund claims validation process. Moreover, the majority of respondents replied that they made use of IT tools dedicated to VAT refunds. It confirms that the problems associated with VAT refunds are an area of the highest national priority for these administrations.



5.1.2. Place of Validation Process in Tax Administration

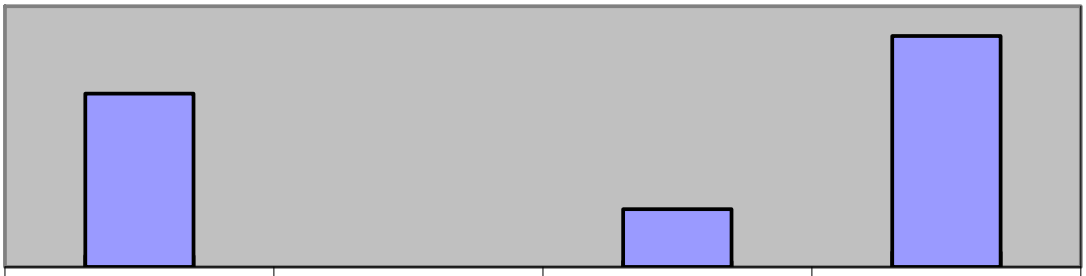
The following charts indicate how responsibility for the validation of VAT refund claims is distributed amongst the tax administrations - applying single or multi-phase selection. For further analysis the reader is referred to Paragraph 5.2.2 and Annex 4.

The level of single-phase selection process of VAT refund claims



Central	Regional	Local	Mixed
30%	11%	43%	11%
3	1	4	1

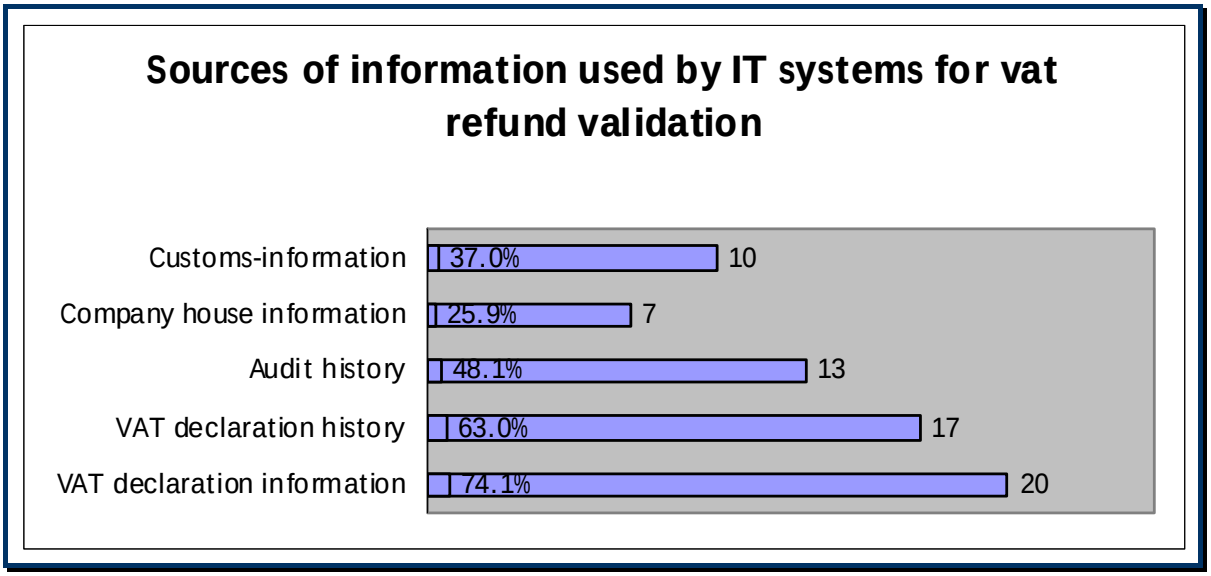
The level of pre-selection process of VAT refund claims (multi-phase process)



Central	Regional	Local	Mixed
38%	0%	13%	50%
6	0	2	8

5.1.3. Sources of Information Used in IT System

The following charts show which sources of information are used by IT systems for validation of VAT refund claims. For further analysis the reader is referred to Paragraph 5.5 and Annex 5.



	Other Internal Sources	Others
Bulgaria	- Registration details; - Administrative violations; - Information system VIES.	
Hungary	- Control data provisions; - Data of the tax current account; - Audit data; - Customs data provisions; - Data of various public dues; - Information database on taxpayers with severe irregularities.	
Lithuania	- Database containing negative information about companies/persons (committed tax law infringements, involvement in tax fraud, etc.); - Database about criminal investigations; - Database containing information provided in risk assessment forms during pre-registration VAT control.	- Notary database; - Social security database; - Real estate database; - Vehicle register.
Portugal	- VIES	
Romania	- IT application processing and management of tax returns (DECIMP); - System for managing tax receivables (SACF); - Application management tax record;	

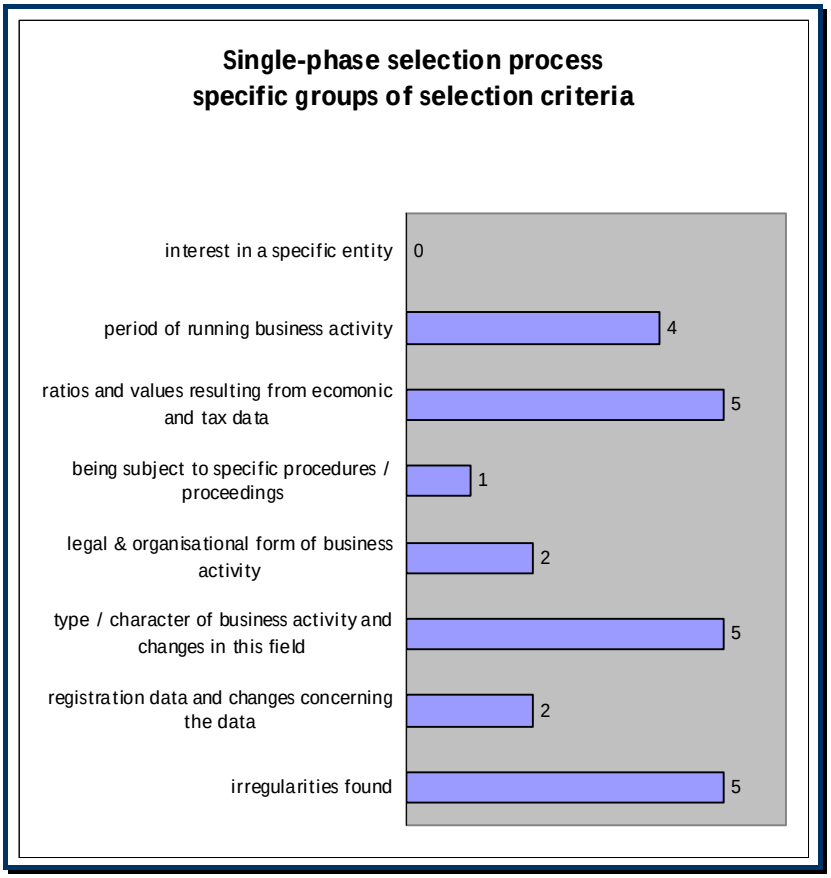
	- Balance sheet management application submitted by the operators.	
Slovak Republic	- History of direct tax	
Spain		- Notary databases; - Social security databases; - Real estate databases - Vehicle register; - Creditors´ meetings published in the Official Gazette.
Sweden	- Data warehouse	- Car register
Switzerland	- Warning list	

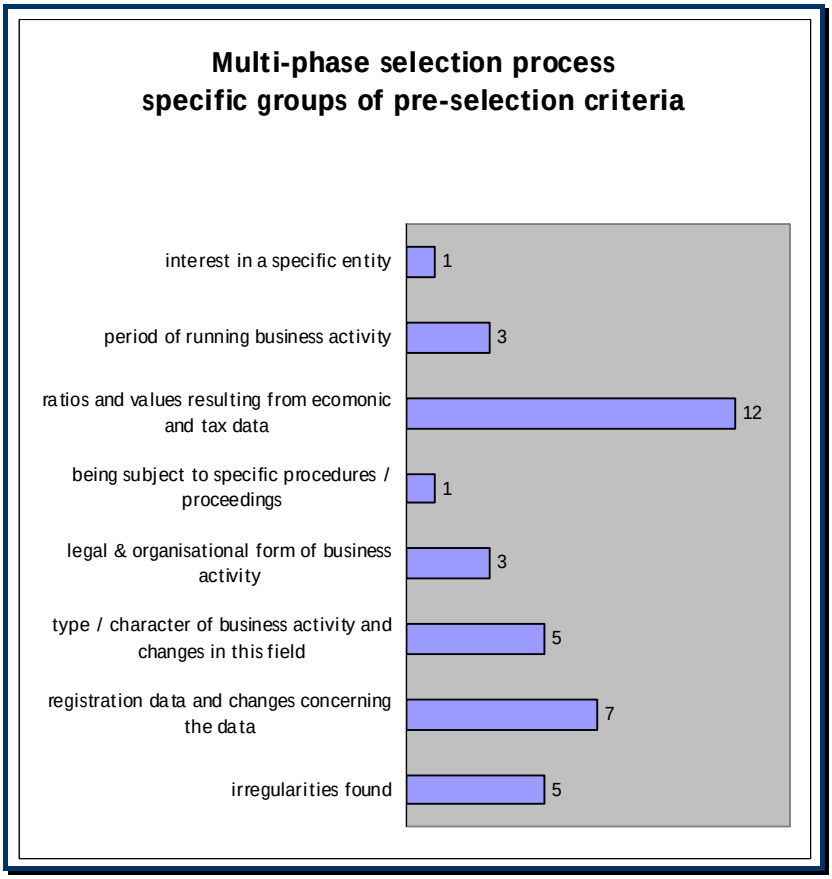
5.1.4. Criteria, Including Formalities, Used in the Validation Process to Split the VAT Refund Claims into Categories

When analysing the validation process of VAT refund claims using IT tools, the Task Team members divided the selection criteria used by IOTA Member administrations into 8 groups:

- Irregularities found;
- Registration data and changes concerning the data;
- Type / character of business activity and changes in this field;
- Legal form and organisation of business activity;
- Being subject to specific procedures / proceedings;
- Rations and values resulting from economic and tax data;
- Period of running business activity;
- Interest in a specific entity.

The summary referring to the criteria in use by tax administrations is presented on the following charts A detailed list of criteria within each group used by individual tax administrations during specific stages of the VAT refund selection process is presented in the tables enclosed in Annexes 6 - 13 of the Report (based on answers to Questions 2.1.4 and 2.2.4 of the Questionnaire).


Single-phase selection process
specific groups of selection criteria
interest in a specific entity
0
period of running business activity
4
ratios and values resulting from ecomonic and tax data
5
being subject to specific procedures / proceedings
1
legal & organisational form of business activity
2
type / character of business activity and changes in this field
5
registration data and changes concerning the data
2
irregularities found
5


Multi-phase selection process
specific groups of pre-selection criteria
interest in a specific entity
1
period of running business activity
3
ratios and values resulting from ecomonic and tax data
12
being subject to specific procedures / proceedings
1
legal & organisational form of business activity
3
type / character of business activity and changes in this field
5
registration data and changes concerning the data
7
irregularities found
5

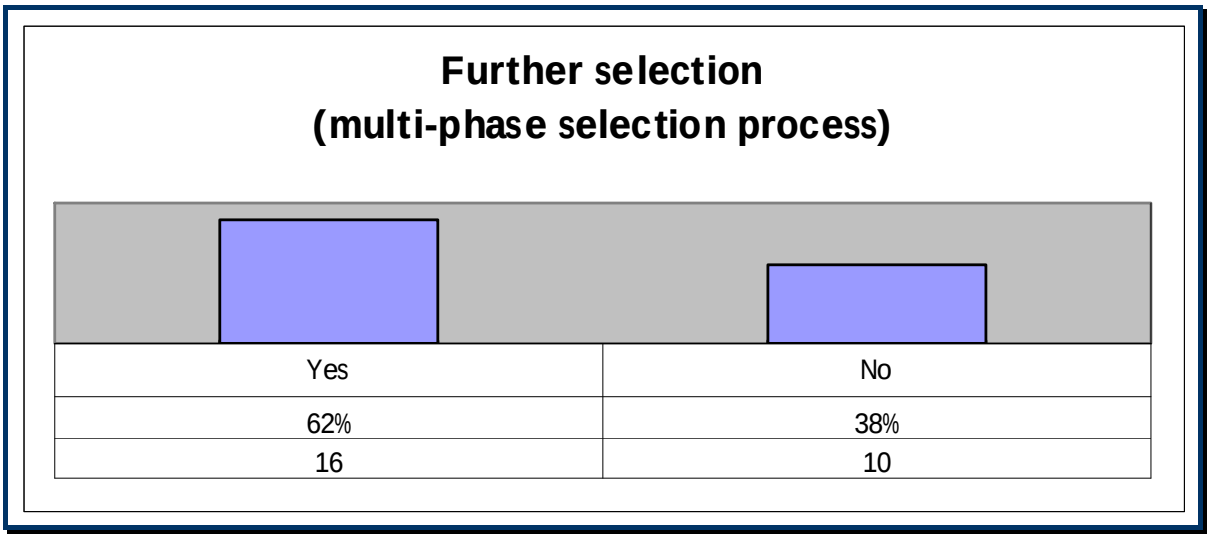
5.1.5. Categories of VAT Refund Claims as a Result of the Validation Process

Annex 14 to the Report presents the table with all categories of VAT refund claims applied by individual tax administrations (based on answers to Questions 2.1.5 and 2.2.5 of the Task Team Questionnaire).

For further analysis the reader is referred to Paragraph 5.7.

5.2. Further Selection

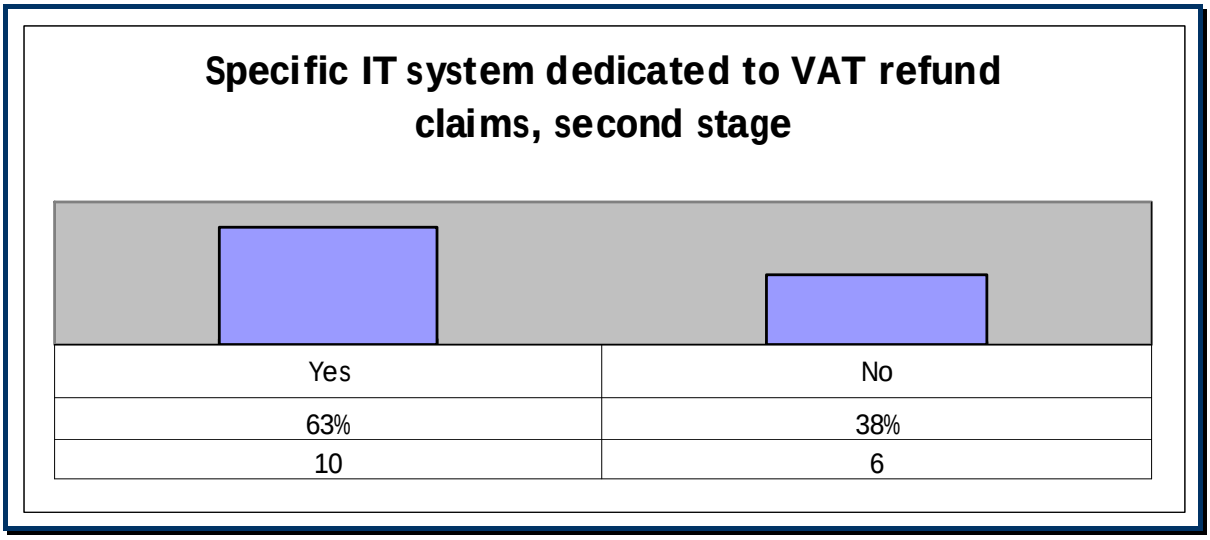
In 11 out of 27 tax administrations (41%) the selection of cases for audit and decisions on payment or refusal of VAT refund claims are done in one stage. All the administrations applying manual VAT refund validation procedures did this as well as a few countries using IT tools. In the other 16 countries (59%), where tax administrations validate VAT refund claims with IT support, the selection and decision making is more complex and is done in varying stages (see the following chart).



5.2.1. Specific IT System Dedicated to VAT Refund Claims (Further Selection)

The following table shows the availability of specific IT systems in the second stage. The second table shows examples of dedicated IT systems that are mentioned by various tax administrations.

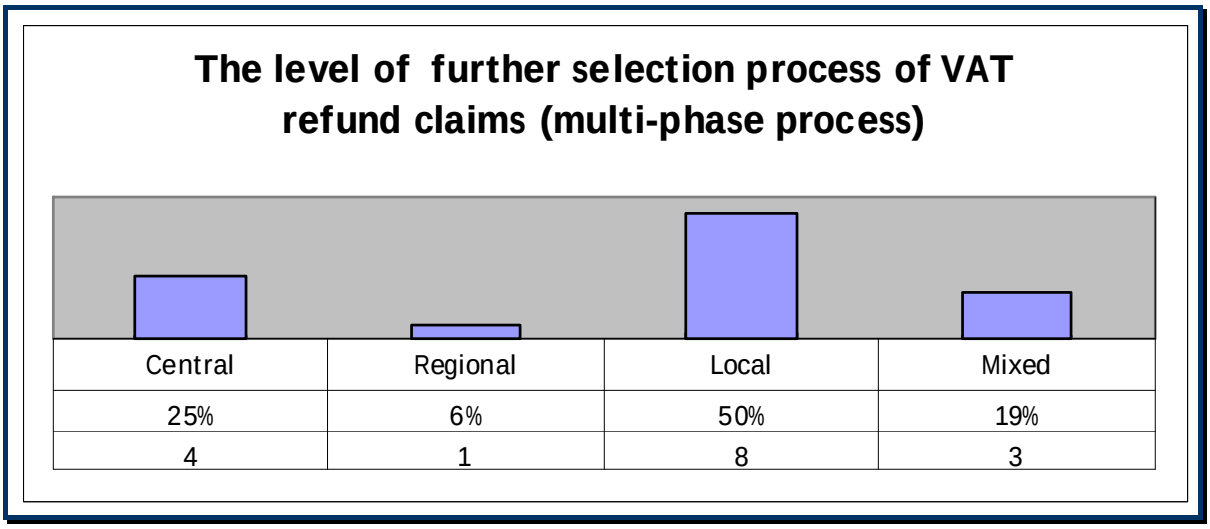
For a summary the reader is referred to Paragraph 5.4.



Austria	There is no specific IT system for VAT refund claims, but it is included in the general risk analysis system.
Bulgaria	There is special "selection" software and a respective module for automated risk assessment of taxable persons who have claimed a VAT refund - applicable only to exporters.
Denmark	Yes – but not for risk selection.
Hungary	The RIASZT system is used to select those taxpayers where a sudden major increase in the turnover is noticed. This type of selection list is compiled monthly so the tax administration is able to react quickly to the taxpayers' activities. These lists are produced for the taxpayers with net refund claims as well as the ones returning high net payment obligations.
Netherlands	A Microsoft Access application is used to support the handling of the selected VAT refund claims. This application has no formal status. An application with a formal status is currently being developed.
Norway	No, in the final selection process the selection is done manually, but the data warehouse and other information systems are used as tools to assist the auditor in the risk assessment.
Sweden	The Swedish Tax Agency uses mainly two tools within the VAT area: - The first is an internally developed application – PUMA. This is a pure business rules system built on object studio with an Oracle database. - For more advanced selections and data mining the tax administration uses SAS MA (including SAS Enterprise Guide, SAS Enterprise Miner) together with a data warehouse within Oracle.

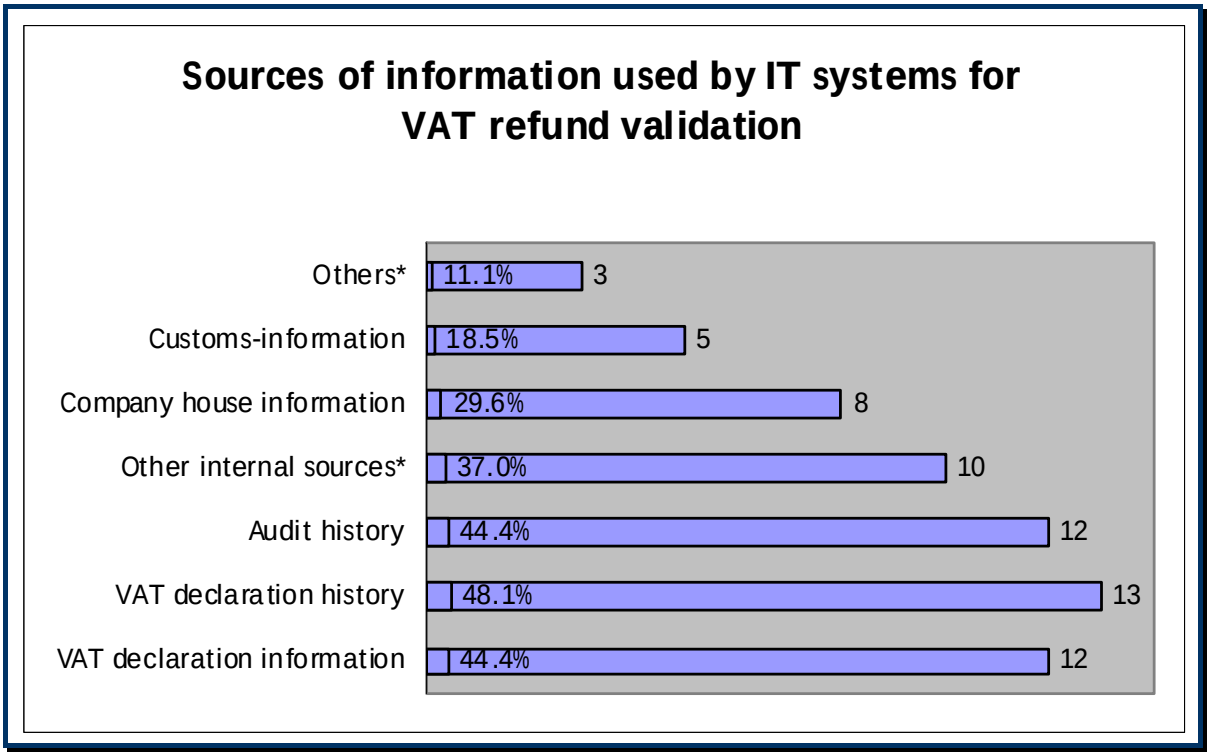
5.2.2. Place of Validation Process of VAT Refund Claims in Tax Administration (Further Selection)

Some of the tax administrations (from Bulgaria, the Czech Republic, Denmark, Norway, Serbia, and the Netherlands) who apply a multi-phase process of VAT refund validation answered that during the later stages of analysis they were delegating authority to regional and local levels (de-centralisation of responsibility). A number of tax administrations (in the Czech Republic, Norway, Romania, Switzerland, and the United Kingdom) replied that they used IT systems for the analysis of VAT refund claims during the initial analytical phases. After that the process was carried out manually by experts having professional knowledge in the field of VAT refunds who made the final decisions concerning refusal or payment of the refund. This demonstrates that, regardless of the growth in the use of IT solutions, the input of the human factor is still very important.



More detailed information about the level of VAT refund validation processes in different tax administrations is included in the 4 to this Report (based on answers to Questions 2.1.2 and 2.2.2 of the Task Team Questionnaire). For information about tax administrations applying manual verification of VAT refunds during later stages of the validation process please see Annex 3.

5.2.3. Sources of Information Used in IT System (Further Selection)



For further analysis the reader is referred to Paragraph 5.5 and Annex 5.

5.2.4. Criteria Used in the Validation Process of the VAT Refund Claims (Further Selection)

A detailed list of criteria within each of the groups used by individual tax administrations at specific stages of the VAT refund selection process is set out in the tables enclosed in Annexes 6 - 13 to this Report (based on answers to Questions 2.1.4 and 2.2.4 of the Task Team Questionnaire).

For further analysis the reader is referred to Paragraph 5.6.

5.2.5. Categories of VAT Refund Claims as a Result of the Validation Process (Further Selection)

Annex 14 to the Report presents the table detailing all categories of VAT refund claims applied by individual tax administrations (based on answers to Questions 2.1.5 and 2.2.5 of the Task Team Questionnaire).

For further analysis the reader is referred to Paragraph 5.7.

5.3. Further Actions by the Tax Administration after the Previous Selection(s) of VAT Refund Claims

Question 2.3 of the Questionnaire gave IOTA Members the chance to describe in more detail the course of actions they take as a result of the VAT refund selection process.

It was noted that prior to audit action in the most difficult, problematic and complicated cases, final manual expert analysis was required. In many tax administrations the final decision as to the type of action and method used is up to the auditors. There are tax administrations where special collective bodies of officials and experts have been established to solve cases and make recommendations for audit.

In order to establish whether transactions forming all or part of the VAT refund are authentic and the VAT refund claim is legitimate, tax administrations often request supporting documents, depending on the type of transaction, from taxpayers such as copies of invoices, transport documents, proof of payment, proof of receipt, etc. It is not always possible to dispel all the doubts in the course of a desk audit, so field audits are launched in order to enter the premises, audit the books and papers/records and confirm the legitimacy of the taxpayer's business. Sometimes it is necessary to collect and analyse information concerning the complete transaction chain as there may be a justified assumption that the taxpayer has produced documents solely in order to obtain a VAT refund under false pretences. The tax administration may also require documents from third parties such as suppliers, customers, banks, etc. to be produced. There may also be a need to carry out third party audits. Within the scope of these actions tax administrations have different powers depending on the national legislation.

When it is not possible to get a complete view of a taxpayer's business activities during an audit, e.g., in case of newly registered entities, some tax administrations may decide to carry out systematic monitoring. Additionally, if there is a risk that an entity may claim a VAT refund illegally or tries to avoid its tax obligations, some tax administrations have the authority to ask the entity to submit a guarantee from a credit institution prior to repayment.

More details concerning actions following the VAT refund selection process carried out by IOTA Member administrations can be found in the individual responses to the Task Team Questionnaire which are included as Annexes to the Report (see Question 2.3).

5.4. Summary of Findings (Questions 2.1, 2.1.1, 2.2 and 2.2.1)

Annex 3 to the Report presents a table with detailed information about the organisation of the VAT refund validation process and the use of IT systems in individual IOTA Member tax administrations (based on answers to Questions 2.1, 2.1.1, 2.2 and 2.2.1 of the Questionnaire).

The effectiveness in the use of IT tools largely depends on what available sources and quality of information there are. In addition to the many different databases administered by tax authorities other entities and external bodies have useful data which is sometimes not accessible to them. Therefore, integration of their own databases and gaining access to external information is of considerable importance as it enables tax administrations to compare data and make crosschecks. From responses to the Questionnaire, in addition to the information included in the tax returns, the IT systems of many tax administrations also use other sources of information such as audit histories, registration details, information about violations and irregularities, VIES data, data on payments, company house information and customs information.

5.5. Summary of Findings (Questions 2.1.3 and 2.2.3)

Annex 5 to the Report contains a table with detailed information about the sources of information used by IT systems for VAT refund validation in individual IOTA Member tax administrations (based on responses to Questions 2.1.3 and 2.2.3 of the Task Team Questionnaire).

Of course, not all the information useful for validation of VAT refund claims is entered into IT systems. A considerable part of it is available only in paper form, so it is impossible to completely eliminate the human factor, i.e., manual analysis of information. More importantly, employees at the regional and local level have direct contact with taxpayers and also have important knowledge and experience. Without this information assessment of the results generated by even the most sophisticated IT risk analysis system would prove to be very difficult or misleading. This might be the reason why many tax administrations (Austria, Bulgaria, Hungary, Norway, Portugal, Serbia, Ukraine, the United Kingdom) indicated that their analytical process of VAT refund claims was carried out at central, regional and local level (mixed process).

5.6. Summary of Findings (Questions 2.1.4 and 2.2.4)

The opportunity to apply different selection criteria by each tax administration depends largely on the type of information sources that their IT systems have access to.

Within the group of VAT refund selection criteria relating to irregularities, the most popular among IOTA Member tax administrations are:

- Criteria concerning general taxpayer behaviour and the results of audits performed;
- Regularity of payments;
- Compliance with their obligation to submit VAT returns;
- Records in lists of risky taxpayers.

For more details see Annex 6.

The most popular criteria related to registration data include ownership, location (addresses) and changes in these fields (for more details see Annex 7).

Real estate, the car trade (including used vehicles), construction and waste materials rank among those businesses most frequently used as criteria for VAT refund selection. Mobile phones, electronic components, oil, alcoholic beverages, tobacco and trade in live animals have been identified as specific types of goods taken into consideration in the course of selection. For some tax administrations the particular type of business activity highlights the risk of VAT refund claims. Export is one of the examples identified by IOTA Members (for more details please see Annex 8).

A lot of tax administrations use ratios and values resulting from economic and tax data for selection of VAT refunds. Within the group of selection criteria most countries use these, referring to the amount of VAT refund claim. Criteria amongst other tax administrations include:

- Investments;
- Initial VAT refund claims;
- Variations of VAT refund amounts between periods;
- Value of turnover and its variations between periods;
- Profit or losses in the income tax statement.

It is very interesting to note that for the purpose of VAT refunds selection, tax administrations not only use criteria that refer to VAT, but also to values related to direct taxes, employment, debts, etc. (for more details see Annex 9).

From the group of criteria regarding the period of operating a business activity, several tax administrations identified newly registered entities as a useful selection criterion (for more details see Annex 10).

Some respondents listed other criteria they use for VAT refund selection. These related to:

- Legal form and organisation of a business activity;
- Being subject to specific procedures/proceedings;
- Interest in any entity such as those claiming VAT refunds from holdings, corporations, public bodies, foreign companies, insolvency or liquidation proceedings, numerous validations of a certain VAT number by contractors and multiple requests from foreign tax administrations with regards to a particular taxpayer.

For more details see Annexes 11 - 13. Based on the overall analysis of responses, these criteria are uncommon and only used by a few tax administrations.

5.7. Summary of Findings (Questions 2.1.5 and 2.2.5)

After the selection process, based on the previously mentioned criteria, it is possible for the tax administration to decide to acceptance or refuse a VAT refund. However, it is very likely that the VAT refund claim still raises doubts and making such a definitive decision is not possible. Therefore, at this stage of the validation process, VAT returns with refund claims are divided into several categories to facilitate the decision making process as to any further action that must or could

be taken by the tax administration. The categories of VAT refunds applied by most of the IOTA Member tax administrations include:

- VAT refund accepted for payment or denied payment;
- VAT refund for further analysis/selection;
- VAT refund for desk audit;
- VAT refund for field audit;
- VAT refund for optional or compulsory verification.

It might turn out in the course of the VAT refund validation process that only part of a VAT refund claim seems to be invalid. There are tax administrations that can partially deny payment or partially approve payment and categorise VAT refund claims with respect to that, but in such cases an appropriate legal basis is required.

Sometimes, despite the fact that a VAT refund is accepted for payment, a tax administration decides to examine the taxpayer's credibility afterwards. This is the case in the United Kingdom where a separate category of VAT refund is identified for that purpose.

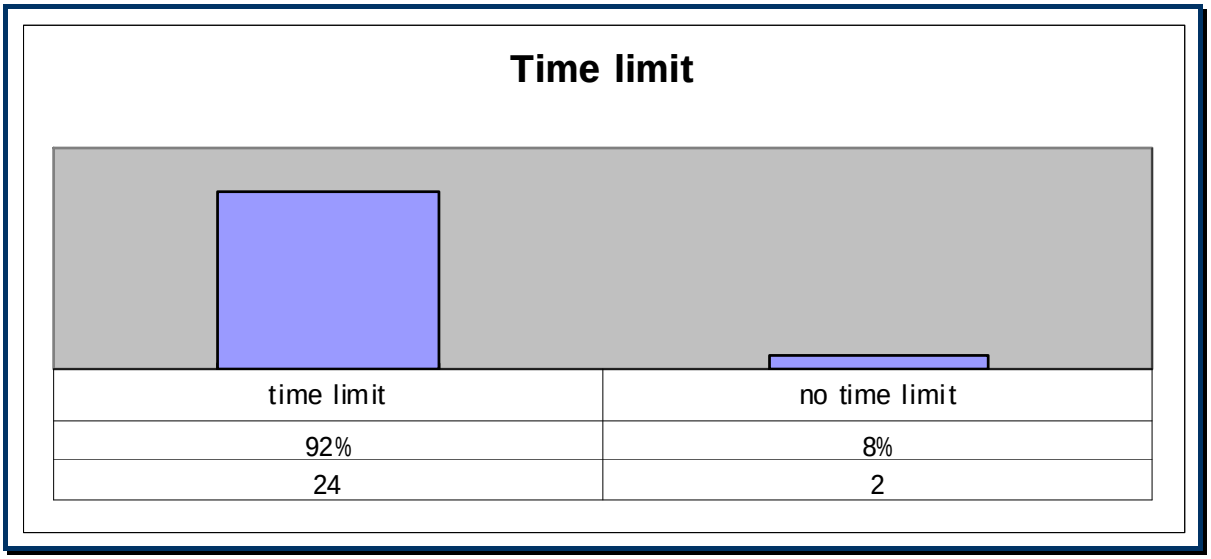
Some categories of VAT refund claims reflect not only the type of actions that need to be taken by the tax administration but also the circumstances under which VAT refunds are claimed. Examples of such categories are:

- VAT refund claim after the change of a declaration period;
- VAT refund claim resulting from a VAT return with formal mistakes;
- VAT refund claims resulting from a VAT return with attachments;
- Specific legal form (e.g., "VAT refund claimed by a credit limited company");
- Business character (e.g., "VAT refund claimed by a large exporter").

6. FORMALITIES OF THE VAT REFUND VALIDATION PROCESS

6.1. Time Limit for Processing VAT Refund Claims

One of the first things to know about the formalities surrounding the VAT refund validation process is the time the tax administration is granted to settle the VAT refunds.

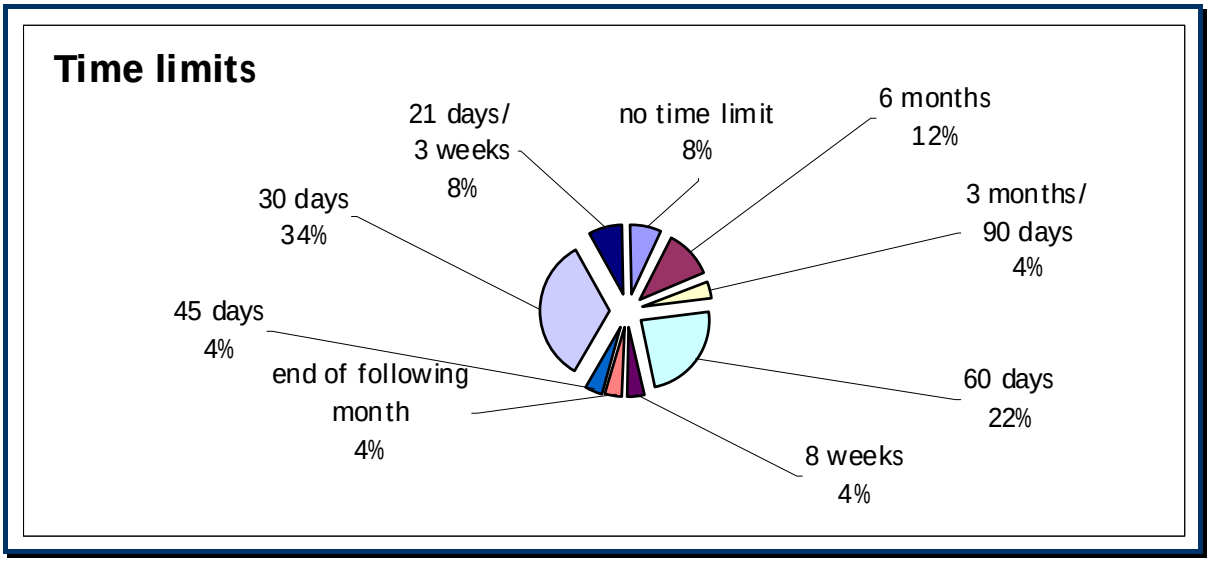


The diagram shows that 92% of tax administrations have some form of time limit and 8% of the tax administrations do not.

Austria and the United Kingdom said that they do not have a time limit. However, in the United Kingdom after 30 days a repayment supplement of 5% or GBP 50, whichever is the greatest, shall be paid. You could say that although there is no official time limit in the United Kingdom that because of this 30 days barrier there is nevertheless an unofficial time limit. Within the tax administration it would be possible to aim for as lower payment of supplements as possible. In that way there would be an internal time limit of 30 days. Austria uses an internal time limit - the refund claims should be processed without delay.

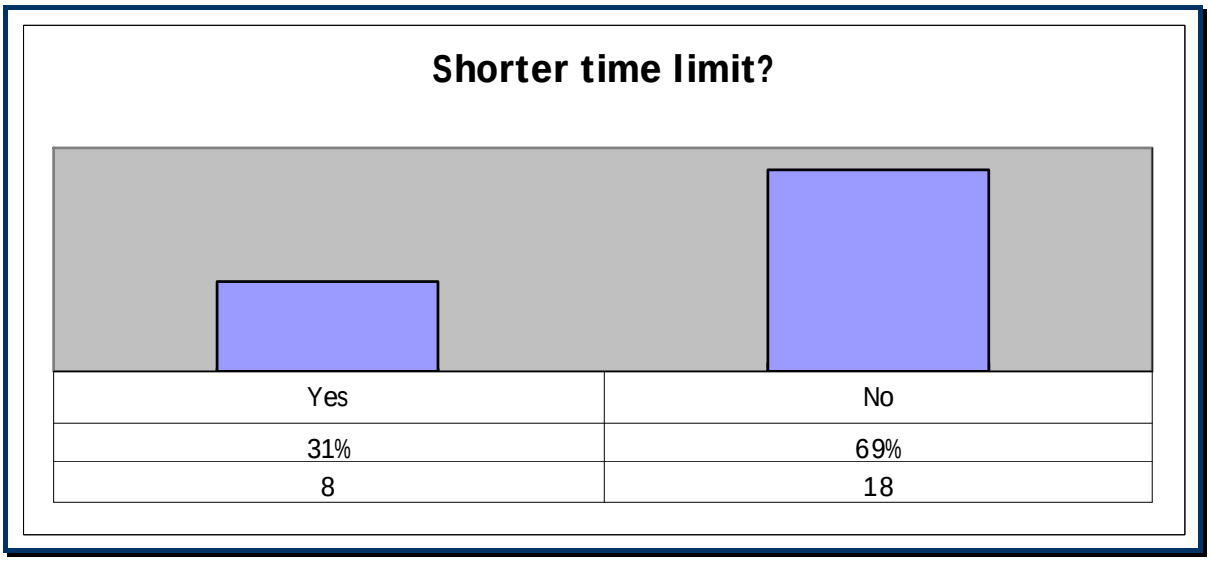
It is also worth noting that some tax administrations have a variety of time limits. A short time limit is the standard for but they also have ones for large VAT refunds claim. Other examples include large exporters (Bosnia and Herzegovina, and Serbia), principally exporters (Slovenia), taxpayers who declare on a monthly bases (Portugal) and VAT refunds greater than HUF 500,000 (Hungary).

In more than 30% of the responding tax administrations the time limit will be deferred when an audit or other check is started. The time limit will also be extended when there is insufficient proof regarding the VAT refund claim (Estonia, Latvia, Lithuania, and Romania).



In the diagram above only the main time limit in a tax administration is reflected. There is a wide variety of time limits. These time limits vary from 21 days to 6 months or no time limit. Most of the tax administrations use time limits from 30 to 60 days.

6.2. Possibility for Taxpayer to Apply for a Shorter Time Limit for Processing VAT Refund Claims



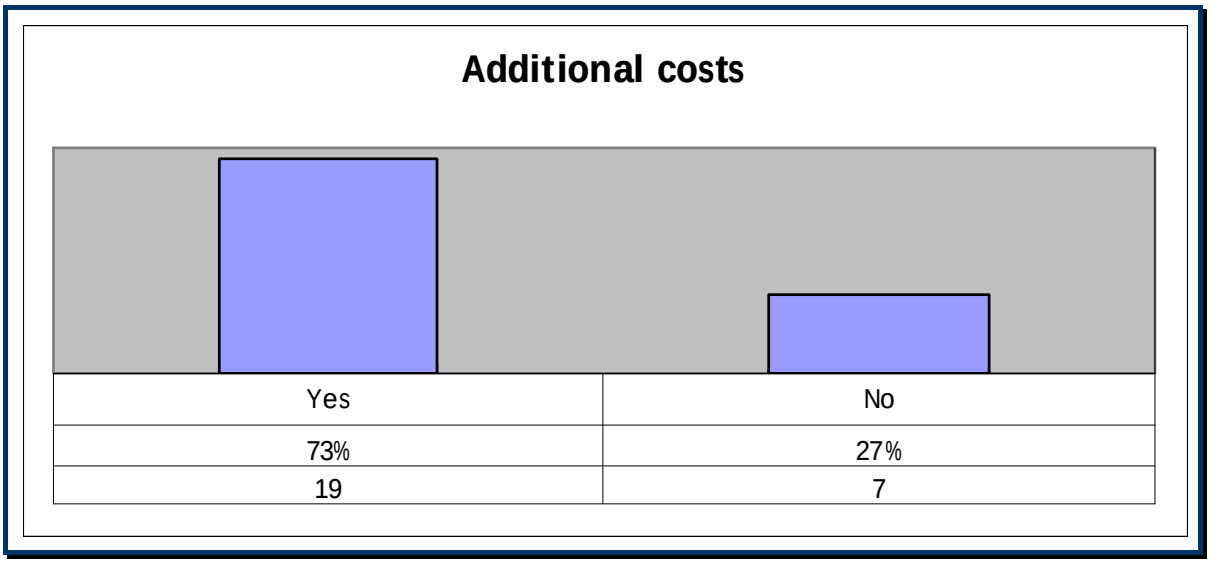
After analysing the answers to the question the Task Team came to the conclusion that in several tax administrations it is not necessary for the taxpayer to apply for a shorter time limit. Usually if certain conditions are fulfilled the shorter time limit will automatically be used. It could be said that those tax administrations have in fact two time limits, see Question 3.1.

Norway and Switzerland indicated that large taxpayers have shorter VAT declaration periods. As a result, the taxpayer will get his/her VAT refund quicker.

In this way the time limit is reduced compared to the standard VAT period. It is likely that other tax administrations also accept this policy.

Lithuania works with a time limit of 5 days if it involves compliant taxpayers. If a taxpayer presents a reasonable request Poland uses a time limit of 25 days. The Netherlands use a form of risk analysis in which every taxpayer gets an individual code or an amount. If the VAT refund claim stays below this individual code or amount the process takes only one week.

6.3. Additional Costs for Tax Administration for Not Keeping the Deadline

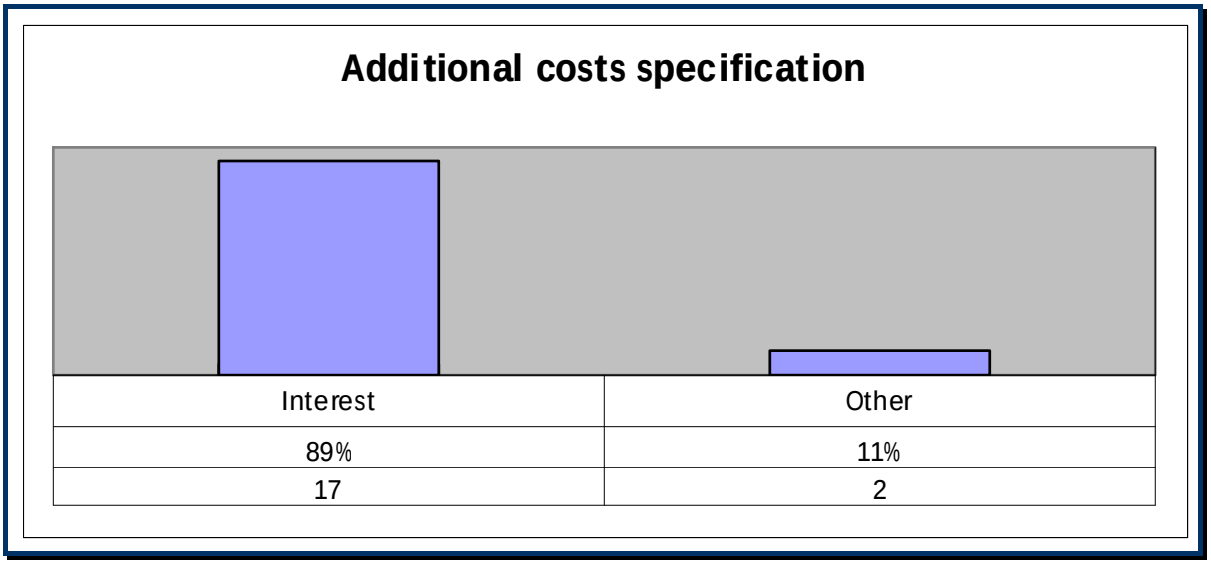


The Czech Republic answered this question by saying no. They qualified this by saying that in case of any wrongful act on the part of the tax administration legal proceedings could be started against them.

There are no additional costs in six tax administrations (Austria, Latvia, Luxembourg, Serbia, Sweden, Ukraine) for not keeping to the deadline.

As mentioned before, the United Kingdom has no official deadline but after 30 days there is a repayment supplement due.

The tax administrations that answered the question with yes were asked to specify what the additional costs were.



The diagram shows that interest should be paid when the deadline is exceeded in almost 90% of the responding countries. Some tax administrations answered that a taxpayer has to ask for this interest. In other countries the interest has to be paid on the tax administration's own initiative.

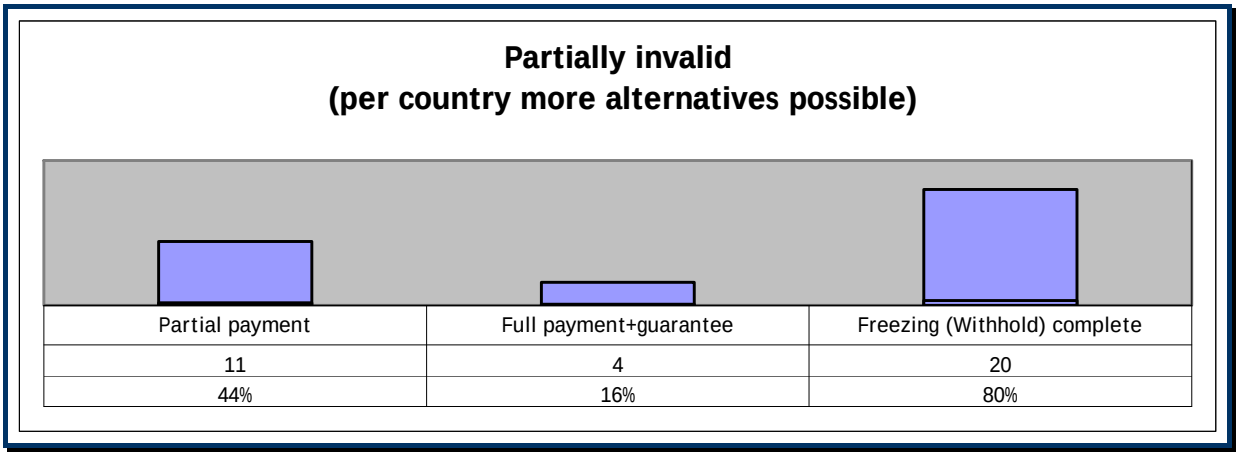
Most of the tax administrations that answered that they pay interest when the deadline is exceeded did not give any further details about the rate or the composition of this interest. Switzerland referred to a fixed rate of 5%[9]. The Slovak Republic pays an interest of 4 times the rate of the European Central Bank.

Two countries, United Kingdom and the Netherlands, stated that they do not pay interest but that they have another mechanism. The United Kingdom pays a repayment supplement of 5% or GBP 50, whichever is the greatest after 30 days. This repayment supplement has the same features as a fixed rate interest. A taxpayer in the Netherlands can ask the court to fine the tax administration for every day the deadline is exceeded (maximum EUR 1,260). The taxpayer can also ask the court to order the tax administration to settle the VAT refund claim within a specified period.

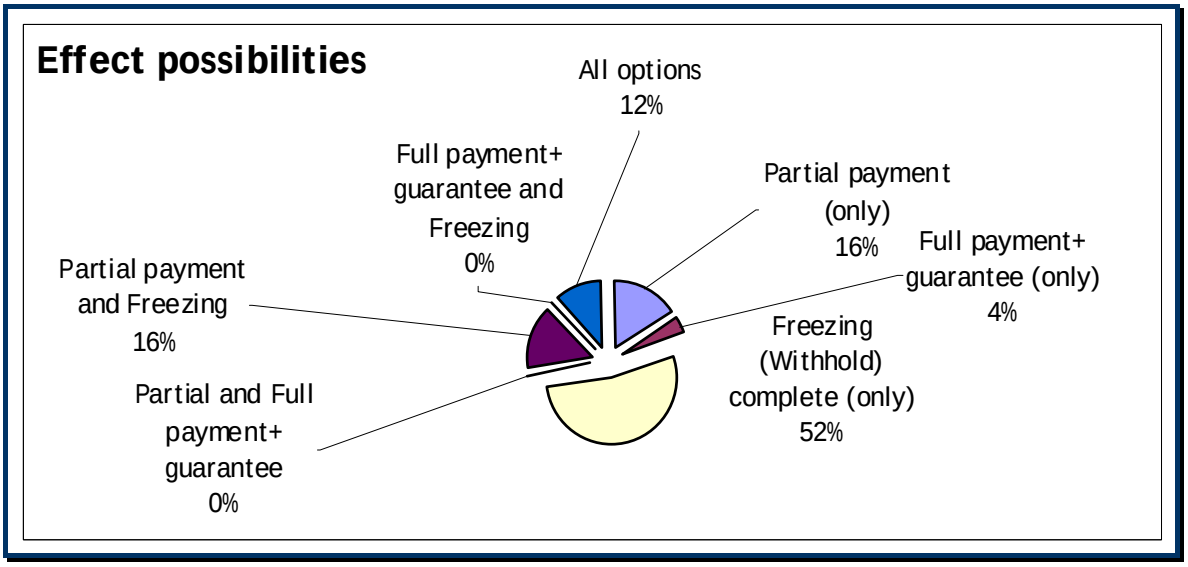
6.4. Effect on the VAT Refund Procedure if During the Process a VAT Refund Claim Seems to be Partially Invalid

The Questionnaire suggested a number of effects - partial payment, full payment and guarantee, freezing (withholding) totally and other options. It was possible for tax administrations to choose more than just one option.

[9] Rate of 2009. Rate of 2011 is 4%.



Most tax administrations can freeze or withhold the VAT refund claim completely (80%, 20 tax administrations). Seven IOTA Members use more than one method. From those seven administrations, three (Slovenia, Spain and the United Kingdom) indicated that they have the choice to use all three[10] suggested options.



The Task Team explicitly emphasises at this point that the current methods are those in use during the refund process. The Task Team did not ask for the effects or methods that tax administration can use after the VAT refund procedure has finished. It is more than likely that at the end of the validation process; tax administrations will finish off the VAT refund claim based on the conclusions stated. It is plausible to assume that a tax administration can then refuse the complete VAT refund claim or can allow only part of the VAT refund claim.

Thirteen tax administrations (52%) can only freeze or withhold the complete VAT refund claim. Five respondents (20%) indicated that they use partial payment and freeze or withhold the complete VAT refund claim. These tax administrations are Bulgaria, Norway, Spain, Sweden and Switzerland. Bulgaria explained that when an audit is started the complete amount can be frozen. If, after that, the taxpayer

[10] Not a single tax administration indicated other possibilities than suggested by the Task Team.

provides a form of guarantee the tax administration will pay up to the amount of the guarantee. Four tax administrations (16%) (France, Hungary, Italy and Ukraine) stated that they only have the option to pay partially. Portugal can only pay the full amount on condition that a guarantee is provided. As mentioned before, 3 tax administrations (12%) (Slovenia, Spain and the United Kingdom) have the ability to use all three options.

7. EVALUATION OF THE VAT REFUND VALIDATION PROCESS

The Task team has tried to highlight the common and main points from the answers received on Questions 4.1 - 4.7 (for an overview see Annex 15).

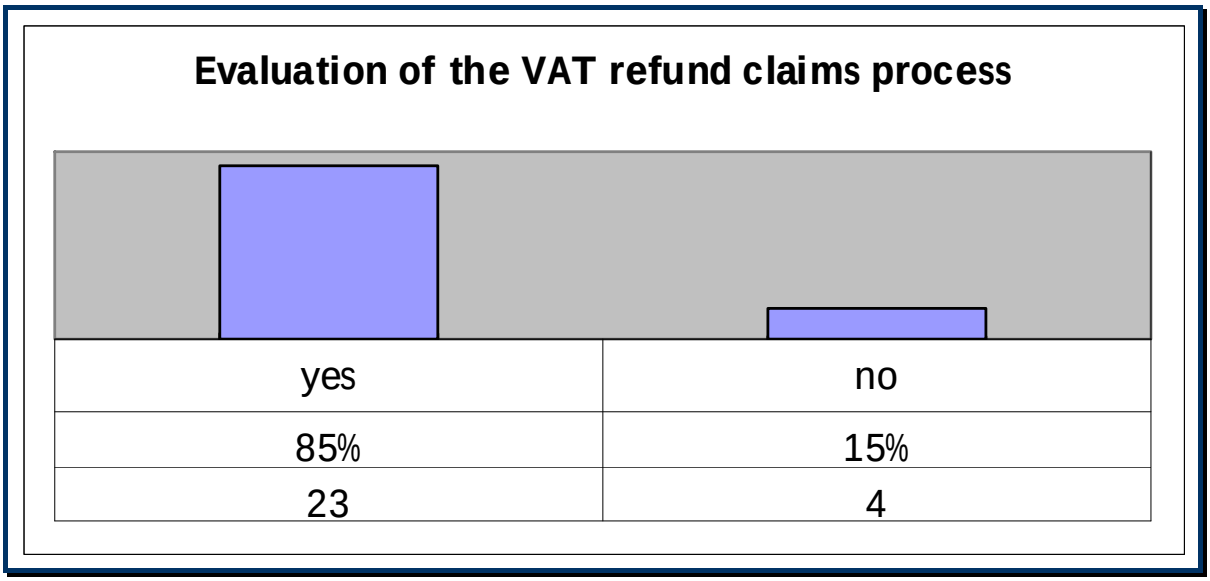
7.1. Indicator(s) to Evaluate the Performance of VAT Refund Claims on National Level

To this question 74% of the tax administrations (20) responded that they have indicators to evaluate the performance of VAT refund claims on a national level, but only 16 tax administrations mentioned in their answer the indicators used.

Main indicators mentioned by the tax administrations:

Indicators	Tax Administration
1. Number and amount of selected refund claims	The Netherlands, Norway, Portugal, Slovak republic, Spain
2. Number and amount of corrected/ refused refund claims	The Czech Republic, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Slovak Republic, Ukraine, the United Kingdom
3. Average time to process and pay VAT refunds claims	Denmark, France, Lithuania, Norway, Portugal, Spain
4. Number and amount change in VAT refund claims	Denmark, Lithuania
5. Evaluation of the ratio between input and output VAT	Sweden
6. Number and value of VAT refund claims received	Italy, Lithuania, Romania, Ukraine, the United Kingdom
7. Number and value of returns failing risk checks	The United Kingdom
8. Number of cases visited, desk cleared and hit rate	The United Kingdom
9. Amount of refund paid	Italy, Ukraine

7.2. Evaluation of the VAT Refund Claims Process



In comparison with the previous question, this question has three more positive answers. All the tax administrations that answered that had indicator(s) to evaluate the performance of the VAT refund claims process, answered that they also evaluate the VAT refund claims process. The three extra positive answers are from Austria, Croatia and Switzerland because they answered that they do not have a specific IT system dedicated to VAT refund claims (Question 2.1.1).

The main types of evaluation mentioned by the tax administrations were:

Types of Evaluation	Tax Administration
1. Adjustment of the risk assessment system criteria and the use of a randomiser	The Czech Republic, Netherlands, Portugal
2. Internal audit review of VAT refund process	Austria, Denmark, Hungary, the United Kingdom
3. Evaluation of VAT refund claim process overviews and evaluation of the results of audits	Austria, Italy, Latvia, Lithuania, Poland, Serbia, Slovak Republic
4. Numbers of audit and change in amount on VAT refunds claims	Denmark, Spain
5. Analysis of the indicator of the timelines (VAT refunded on time)	Latvia, Spain, Ukraine
6. Implementation of internal audit guidelines	France
7. Control and evaluation of the tax administration by the court of auditors	Hungary
8. Monthly reports made by the local offices to the central tax administration about VAT refund claim process	Romania
9. Possibility to run SQL queries to the VAT system	Sweden
10. Final check of the VAT refund claim made by	Switzerland

the account department before the payment	
11. Creation of sub-sections in the local offices for VAT control and taxpayers analysis	Croatia
12. Reduction of tax refunds (including VAT). This indicator is measured in million €	Spain

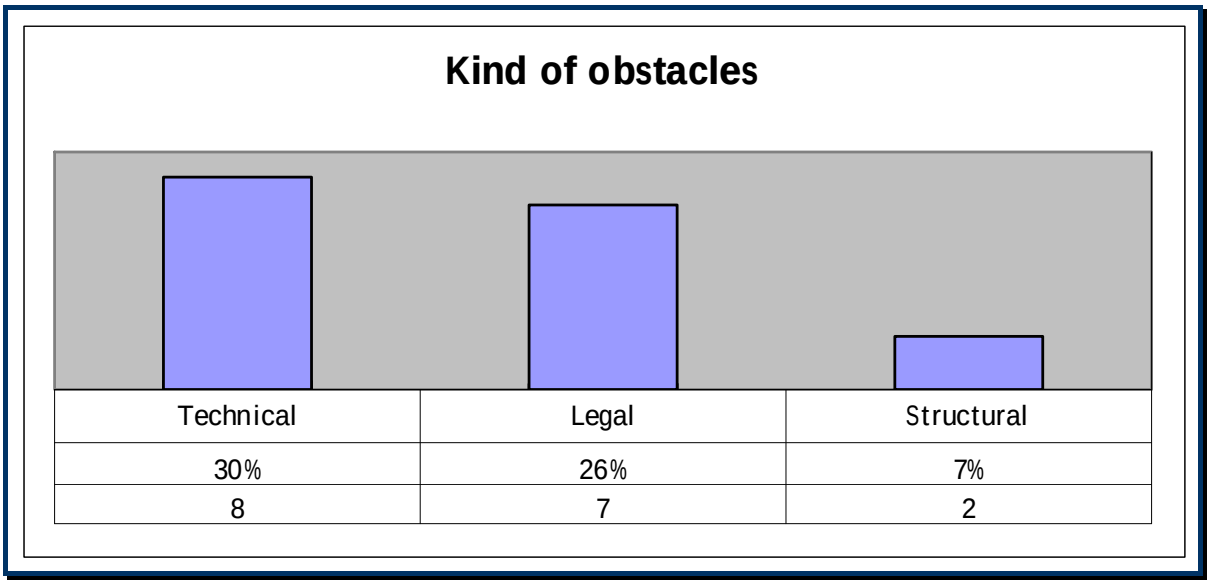
7.3. Most Efficient Items/Approaches in the VAT Refund Claims Process

In this question only 15 tax administrations expressed an opinion about the most efficient items in the VAT refund claims process in their tax administrations. The main items mentioned were:

Most Efficient Items/ Approaches	Tax Administration
Use of separate individual norms for every taxpayer and general norms for starting companies, possible fraud, foreign company structures	The Netherlands
Increasing the frequency of VAT audits	Austria
Electronically cross-check of all declared purchases and sales	Bulgaria
The use of a mix of computer and human analysis, that allows the inspectors to overrule computer selection	The Czech Republic
The use of a risk indicator system to define the priorities and the levels of intervention	France, Hungary, Lithuania, Poland, Portugal, the Slovak Republic, the United Kingdom
The use of specific IT tools dedicated to VAT refunds claims	France: REBECA IT tool and risk analysis grid for VAT refunds. Hungary: KEK1 – IT tool to select VAT refund claims using various indicators; RIASZT – analysis of sudden increases in the taxpayer turnover; KoKaln – Information System of Risky Connections; R+ - the system where the experiences of the auditors at tax audits are registered; RADAR - Risk Analysing and Decision Supporting Application for Revision.
The automatic cross-check of the information	Portugal
The use of a unified nation-wide guideline to the procedures covering validation of VAT refund claims and the criteria which shall be taken into account during analytical actions	Poland, Sweden
Cooperation of the tax directorate with local tax offices in cases of tax frauds in order to coordinate tax audit activities	The Slovak Republic
Decisions on VAT refunds are taken after credibility assessment of VAT excess credits (in 2008 – 72 % of the total sum), after conducting thematic checks and inspections (27 %) and after VAT audit (1 %)	Latvia

The use of a national network for those persons involved in the risk criteria selection process	Norway
Filters system using information available in database	Spain

7.4. Obstacles that Reduce the Effectiveness of the VAT Refund Claims Process



In this question only 15 tax administrations report the existence of obstacles that reduce the effectiveness of the VAT refund claims process. The main points in the answers are technical, legal and structural obstacles.

Main indicators on obstacles mentioned by the tax administrations:

Indicators		Tax Administration
Legal	Short deadline for the VAT return claim process	Bosnia and Herzegovina, Hungary, the Slovak Republic
	Payment of interest if deadline if passed	Hungary
	It is not allowed to do automatic payment, even with low risk VAT refunds	Bulgaria
	Limited information in the VAT return	Norway
	Other legal problems – not specified	Portugal, Ukraine
Structural	If there is a decentralised solution in the tax organisations, there may not be the same risk criteria in all the regions in the same country and there is possibly only access to local data	Lithuania, Poland
Technical	No useful IT tool, or the risk system has to be improved	Croatia, Denmark, Lithuania, Slovenia
	Ability or flexibility of the IT tools	Bulgaria, the Czech Republic, Switzerland, the United Kingdom

7.5. Improvement and Identification of Potential Parts of the VAT Refund Process which Could be Adapted

The main suggestions for improvements mentioned by the tax administrations were:

Types of Evaluation	Tax Administration
Learning project together with other tax administrations (e.g., detecting risks, audit plan and managing the risks)	Croatia
Automatically hold or/ and correct the refund claim	The Netherlands
Improve the level of information and better risk systems to make selections automatic	Bosnia and Herzegovina, the Czech Republic, Denmark, Hungary, Italy, Lithuania, Norway, Romania, the Slovak Republic, Slovenia, the United Kingdom
Updated information	Latvia, Poland
Establishing a threshold amount for reimbursement	Romania

7.6. Available Statistics on VAT Key Information Related to Refund Claims

The figures show that VAT refund claims should be an essential issue for all tax administrations. Millions of VAT refund claims are revived and billions of Euros are refunded.

Year 2008, Total in the answers:

Number of VAT registrants:	22 million
Number of received VAT returns	84 million
Number of VAT refund claims	9 million
Total sum of VAT refund claims	EUR 255 billion

For more specific information please see Annex 16.

Many tax administrations have asked the Task Team not to publish some of the information, which is considered as sensitive or confidential. For some tax administrations, specific information is not available and other information given to the Task Team contained remarks or special country conditions.

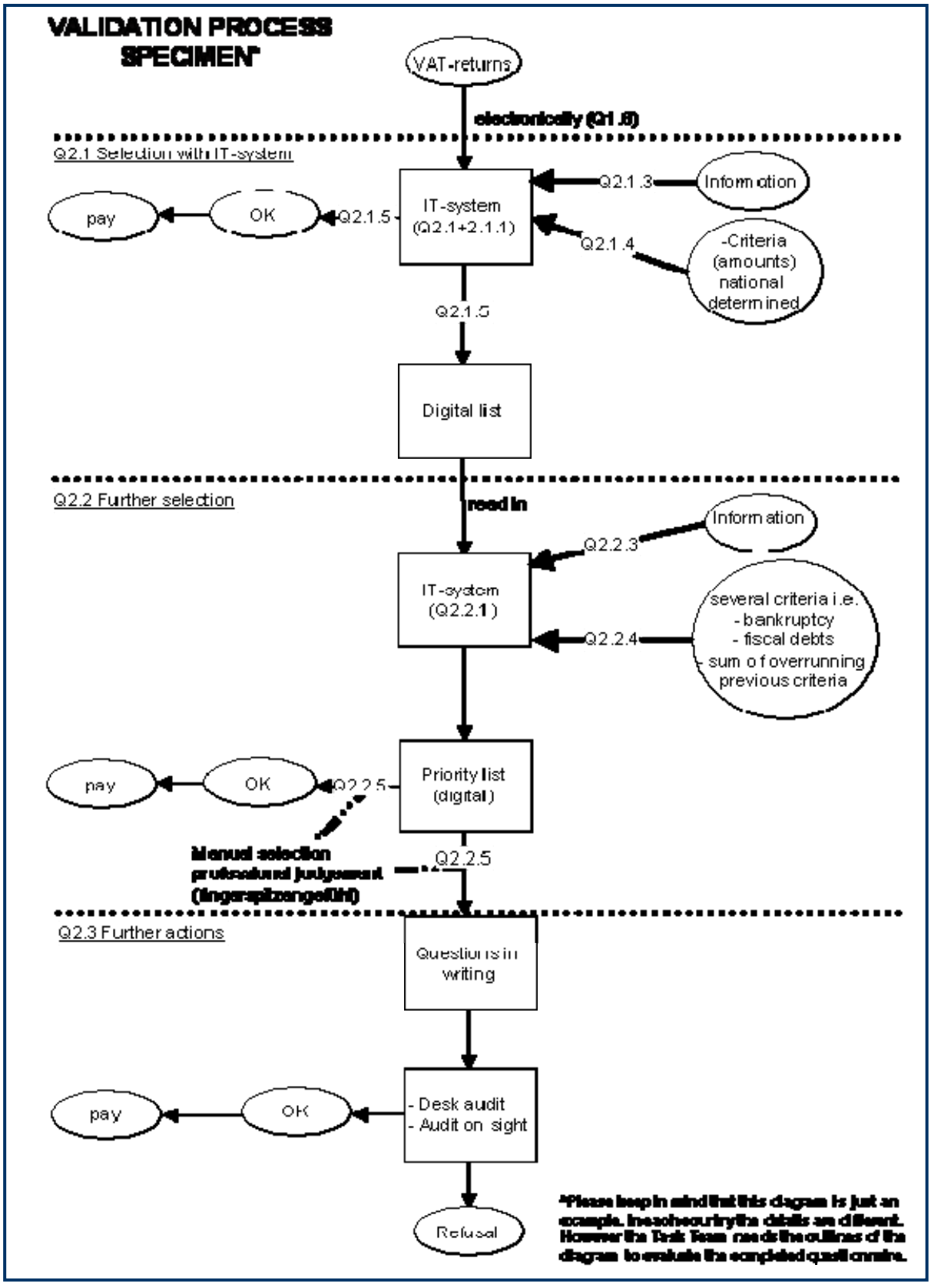
Therefore, to avoid any mistake or misunderstanding of the figures, the Task Team has decided not to publish the specific information about numbers of audits and hit-rates for each country.

7.7. Other Relevant and Useful Information

Main indicators or other relevant and useful information mentioned by the tax administrations:

Types of Evaluation	Tax Administration
Use of a randomiser. - Protection against abuse of norm / known rules	Netherlands
Data, stored in a data warehouse is good for: - Risk analysis, (predictive) - Data mining modelling - Selection for audit - Free analysis and modelling based on the data.	Hungary

ANNEX 1 – DIAGRAM OF VAT REFUND CLAIMS PROCESS



ANNEX 2 – QUESTION 1.6 SHORT OVERVIEW OF INFORMATION REQUESTED IN VAT RETURN

(For some explanation, see the text after Annex 2D)

1.6 What information is requested in the VAT return form and is this information used for the risk assessment of the VAT return?

	Information in the VAT return form	Data requested (please tick)	Is there a specific box on the VAT return form	Used for risk analysis (please tick)		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
				Manual	Automatically	1	2	3
Questions related to output VAT	Total turnover	AT AZ BA BG CH CZ EE ES FR HR HU LT LV NO PL PT RS SE SI SK UA UK	AT AZ BA BG CH CZ EE ES FR HR HU LV NO PL PT RS SE UK	BA BG HR CZ NO SK SI CH UA	AT AZ BG CZ EE ES HU LT LV NO PT RS SE SK UA UK	CH	AZ BA FR HR HU NO PT RS SI UK	AT BG CZ EE LV LT SK ES SE UA
		84,6%	69,2%	34,6%	61,5%	3,8%	38,5%	38,5%
	VAT exempted turnover without the right of deduction	AT AZ BA BG CH CZ DK EE ES FR HR HU LT LV NO PL PT RO RS SE SI UA UK	AT AZ BA BG CH CZ DK EE ES FR HR HU LT LV PL PT RO RS SE SI	BA BG CH CZ DK HR LV NO SI UA UK	AT AZ BG CZ EE ES FR HU LV NO PL PT RO RS SE UA	FR	AZ BA CH DK HR HU LT LV NO PT RS SE	AT BG CZ EE ES PL RO SI UA UK
		88,5%	76,9%	42,3%	61,5%	3,8%	46,2%	38,5%
	Domestic supplies where reverse charge applies	AT BG CZ ES FR NL PL PT RO SE UK	AT BG CZ ES FR NL PL RO SE	BG CZ UK	AT BG CZ ES FR RO SE		FR UK	AT BG CZ ES RO SE
		42,3%	34,6%	11,5%	26,9%	0,0%	7,7%	23,1%
	Domestic acquisitions where reverse charge applies	AT BG CZ FR HU NL PT RO SE SK UK	AT BG CZ FR HU NL RO SE	BG CZ	AT BG CZ FR RO SE UK		FR HU UK	AT BG CZ RO SE
		42,3%	30,8%	7,7%	26,9%	0,0%	11,5%	19,2%
Questions related to output VAT	Turnover/alternatively total output VAT - standard rate	AT AZ BA BG CH CZ DK EE ES FR HR HU LT LV NL NO PL PT RO RS SE SI SK UA UK	AT AZ BA BG CH CZ DK EE ES FR HR HU LT LV NL NO PO PT RO RS SE SI	BA BG CH CZ DK HR LV NO SI UA UK	AT AZ BG CZ EE ES FR HU LT LV NO PO PT RO RS SE UA UK	CH	BA DK FR HR HU LV NO PT SI	AT AZ BG CZ EE ES LT PO RO RS UA UK
		96,2%	84,6%	42,3%	69,2%	3,8%	34,6%	46,2%
	Turnover/alternatively total output VAT - reduced rates	AT AZ BG CH CZ EE ES FR HR LT LV NL NO PL PT RO RS SE SI SK UA UK	AT AZ BG CH CZ EE ES FR HR LT LV NL NO PL PT RO RS SE SI	BG CH CZ HR LV NO SI UA UK	AT AZ BG CZ EE ES FR LT LV NO PL PT RO RS SE UA		CH FR HR LV NO PT SI UK	AT AZ BG CZ EE ES LT PL RO RS UA
		84,6%	73,1%	34,6%	61,5%	0,0%	30,8%	42,3%

	Information in the VAT return form	Data requested (please tick)	Is there a specific box on the VAT return form	Used for risk analysis (please tick)		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
				Manual	Automatically	1	2	3
Questions related to output VAT	specified on various reduced rates	AT AZ CH ES HR LT LV NL NO PL PT SE	AT AZ CH ES HR LT LV NL NO PL PT SE	CH HR LV NO	AT AZ ES LT LV NO PL PT SE		CH LV NO PT	AT AZ ES LT PL
		46,2%	46,2%	15,4%	34,6%	0,0%	15,4%	19,2%
	Turnover related to export	AT AZ BA BG CH CZ DK EE ES FR HR HU LT LV NL NO PL PT RO RS SE SK UA UK	AT BA BG CH CZ DK EE ES FR HR HU LT LV NL PL RS SE	BA BG CH CZ DK HR LV NO UA UK	AT AZ BG CZ EE ES FR LT LV PL PT RO RS SE UA		BA CH DK FR HR HU PT UK	AT AZ BG CZ EE ES LT LV NO PL RO RS UA
		92,3%	65,4%	38,5%	57,7%	0,0%	30,8%	50,0%
	Import	AZ BA CZ EE ES FR HU NL NO PT RS SE SK UA UK	AZ BA CZ EE ES FR HU NL NO RS SE	BA CZ NO UK UA	AZ CZ EE ES FR RS SE UA	NO	AZ BA FR HU UK	CZ EE ES RS UA
		57,7%	42,3%	19,2%	30,8%	3,8%	19,2%	19,2%
	Turnover related to EU supplies	AT BG CZ DK EE ES FR HU LT LV NL PL PT RO SE SI SK UK	AT BG CZ DK EE ES FR HU LT LV NL PL PT RO SE SI SK UK	BG CZ DK LV UK	AT BG CZ EE ES FR HU LT LV PL PT RO SE SI UK		DK FR HU LV	AT BG CZ EE ES LT PL PT RO SI UK
		69,2%	69,2%	19,2%	57,7%	0,0%	15,4%	42,3%
stions related to output VAT	EU acquisitions	AT BG CZ DK EE ES FR HU LT LV NL PL PT RO SE SI SK UK	AT BG CZ DK EE ES FR HU LT LV NL PL PT RO SE SI SK UK	BG CZ DK LV UK	AT BG CZ EE ES FR LT LV PL PT RO SE SI UK		DK FR HU LV	AT BG CZ EE ES LT PL PT RO SI UK
		69,2%	69,2%	19,2%	53,8%	0,0%	15,4%	42,3%
	Turnover related to other 0 rates	AT AZ BG CZ EE HR HU LT LV NL NO PL PT SE UK	AT AZ BG CZ EE HR HU LT LV PL SE	BG CZ HR LV NO	AT AZ BG CZ EE LT LV NO PL SE		HR HU	AT AZ BG CZ EE LT LV NO PL
		57,7%	42,3%	19,2%	38,5%	0,0%	7,7%	34,6%

	Information in the VAT return form	Data requested (please tick)	Is there a specific box on the VAT return form	Used for risk analysis (please tick)		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
				Manual	Automatically	1	2	3
Que	Other questions	AT CH LT NL PL PT UA UK	AT CH LT NL PL PT	CH UA UK	AT LT PL PT UA	CH	PT UK	AT LT PL UA
		30,8%	23,1%	11,5%	19,2%	3,8%	7,7%	15,4%
Questions related to input VAT	Total input VAT	AT AZ BA BG CH CZ DK EE ES FR HR HU IT LT LV NL NO PL PT RO RS SE SI SK UK	AT AZ BA BG CH CZ DK EE ES FR HR HU IT LT LV NL NO PL PT RO RS SE UK	BA BG CH CZ DK HR LV NO SI UK	AT AZ BG CZ EE ES LT LV NO PT RO RS SE UK		BA CH DK HR HU PT SI	AT AZ BG CZ EE ES LT LV NO RO RS SE UK
		96,2%	88,5%	38,5%	53,8%	0,0%	26,9%	50,0%
	Total sum acquisitions or input VAT at standard rate	AZ BA BG CZ DK EE FR HR HU LV NO PL PT RO SI SK UA UK	AZ BA BG CZ DK EE FR HR HU NO PT RO UK	BA BG CZ DK HR LV NO SI UA UK	AZ BG CZ EE LV NO PT RO UA UK		AZ BA DK HR HU LV PT SI	BG CZ EE NO RO UK UA
		69,2%	50,0%	38,5%	38,5%	0,0%	30,8%	26,9%
	Total sum acquisitions or input VAT at reduced rates	AZ BG CZ EE FR HR HU LV NO PL PT RO SI SK UA UK	AZ BG CZ EE FR HR HU NO PT RO	BG CZ HR LV NO SI UA UK	AZ BG CZ EE LV PT RO UA	NO	AZ HR HU LV PT SI UK	BG CZ EE RO UA
		61,5%	38,5%	30,8%	30,8%	3,8%	26,9%	19,2%
Questions related to input VAT	Sum import	AT BA BG CZ EE ES FR HR HU LT LV NO PL RO SI SK UA UK	AT BA BG CZ EE ES FR HR HU LT LV SK	BA BG CZ HR LV SI UA	AT BG CZ EE ES LT LV RO UA	NO	BA HR HU LV SI	AT BG CZ EE ES LT RO UA
		69,2%	46,2%	26,9%	34,6%	3,8%	19,2%	30,8%
	Input VAT related to EU acquisitions	AT BG CZ EE ES FR HU LT LV PL PT RO SI UK	AT BG CZ EE ES FR HU LT LV PT RO	BG CZ LV SI UK	AT BG CZ EE ES LT LV PT RO UK		HU LV PT SI	AT BG CZ EE ES LT RO UK
		53,8%	42,3%	19,2%	38,5%	0,0%	15,4%	30,8%

	Information in the VAT return form	Data requested (please tick)	Is there a specific box on the VAT return form	Used for risk analysis (please tick)		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
				Manual	Automatically	1	2	3
Questions related to input VAT	Sum acquisitions other 0 rates	BG CZ HR HU LV PL SI UK UA	BG CZ HR HU LV	BG CZ HR LV SI UK UA	BG CZ LV UA		HR HU LV SI	BG CZ UK UA
		34,6%	19,2%	26,9%	15,4%	0,0%	15,4%	15,4%
	Acquisitions or input VAT related to investments	CH CZ EE ES FR HU LT PL PT RO SI UK	CH CZ EE ES FR HU LT PL PT SI	CH CZ SI UK	CZ EE ES LT PL PT RO		CH HU UK	CZ EE ES LT PL PT RO SI
		46,2%	38,5%	15,4%	26,9%	0,0%	11,5%	30,8%
	Other acquisition related to goods or services	BA CH EE FR HR HU PL PT RO UA UK	BA CH EE FR HR HU PL PT RO	BA CH HR UA UK	EE PT RO UA		BA CH HR HU PT UK	EE RO
		42,3%	34,6%	19,2%	15,4%	0,0%	23,1%	7,7%
	Acquisition of goods without the right of input VAT deduction	AZ BA BG CZ FR HU LT PL RO SI UK	AZ BA BG CZ FR HU LT RO SI	BA BG CZ SI UK	AZ BG CZ LT RO		AZ BA HU LT SI	BG CZ RO UK
		42,3%	34,6%	19,2%	19,2%	0,0%	19,2%	15,4%
Questions related to input VAT	Other information required in the VAT return form	HR LT LV NL PL PT SI SK UK	HR LT LV NL PL PT SI SK	HR LV SI UK	LT LV PT	SI	HR LV PT	LT UK
		34,6%	30,8%	15,4%	11,5%	3,8%	11,5%	7,7%
	Net VAT (excess of input VAT over output VAT)	AT AZ BA BG CH CZ DK EE ES FR HR HU IT LT LV NL NO PL PT RO SI SK UA UK	AT AZ BA BG CH CZ DK EE ES FR HR HU IT LT LV NL NO PL PT RO SI SK UK	BA BG CH CZ DK HR LV SI SK UA UK	AT AZ BG CH CZ ES LT LV NL PL PT RO SK UA UK		BA DK HR HU LV PT	AT AZ BG CH CZ EE ES LT NL PL RO SI SK UA UK
		92,3%	88,5%	42,3%	57,7%	0,0%	23,1%	57,7%
	Other questions	NO PL PT SE	NO PL PT SE		NO PL PT		NO PT	PL
		15,4%	15,4%	0,0%	11,5%	0,0%	7,7%	3,8%

ANNEX 2A –REGULATED VAT PERIODS AND CRITERIA FOR REGULATED VAT PERIODS (QUESTION 1.1)

Q1.1 Regulated VAT periods							Q1.1 Criteria for regulated VAT periods		
	12 periods	6 periods	4 periods	2 periods	1 period	extra annual	Depends on turnover	Only one period	Other criteria
Austria	Yes		Yes				Yes		
Azerbaijan	Yes		Yes						depends on activities
Bosnia & Herzegovina	Yes								only one period
Bulgaria	Yes		Yes						established outside community and services electronically
Croatia	Yes		Yes		Yes	Yes	Yes		additional annual declaration obliged
Czech Republic	Yes		Yes				Yes		
Denmark	Yes		Yes	Yes			Yes		
Estonia	Yes							Yes	
France	Yes		Yes		Yes				
Hungary	Yes		Yes		Yes		Yes		
Italy									
Latvia	Yes				Yes	Yes		Yes	additional annual declaration
Lithuania	Yes		Yes	Yes	Yes	Yes	Yes		established outside community and services electronically plus additional annual declaration
Luxembourg	Yes		Yes		Yes		Yes		
Netherlands	Yes		Yes		Yes		Yes		
Norway		Yes			Yes				depends on activities
Poland	Yes		Yes				Yes		small taxpayers on cash-bases method or based on activities
Portugal	Yes		Yes				Yes		
Republic of Serbia	Yes		Yes				Yes		
Romania	Yes		Yes				Yes		ic acquisitions
Slovak Republic	Yes		Yes				Yes		
Slovenia	Yes		Yes				Yes		not established in Slovenia and starters
Spain	Yes		Yes				Yes		
Sweden	Yes		Yes		Yes		Yes		
Switzerland			Yes					Yes	
United Kingdom			Yes					Yes	
Ukraine	Yes		Yes				Yes		starters
Total	**23**	**1**	**22**	**2**	**9**	**3**	**17**	**4**	**11**
in %	**85.2%**	**3.7%**	**81.5%**	**7.4%**	**33.3%**	**11.1%**	**63.0%**	**14.8%**	**40.7%**

ANNEX 2B – VAT DECLARATION PERIODS APPLICABLE FOR TAXPAYER AND CRITERIA (QUESTION 1.2)

	Q1.2 VAT declaration periods applicable for taxpayer							Q1.2 Applicable VAT declaration periods criteria			
	Not possible	12 periods	6 periods	4 periods	2 periods	1 period	Other	Not possible	Turnover/ activities	Request (conditions)	Remarks
Austria		Yes								Yes	
Azerbaijan	Yes							Yes			
Bosnia & Herzegovina	Yes							Yes			
Bulgaria	Yes							Yes			
Croatia		Yes				Yes			Yes		starters and treshold
Czech Republic		Yes		Yes					Yes		
Denmark		Yes		Yes						Yes	
Estonia							Yes			Yes	treshold/other period on request
France						Yes			Yes		
Hungary		Yes		Yes						Yes	
Italy											
Latvia				Yes	Yes				Yes		
Lithuania					Yes		Yes			Yes	other period on request
Luxembourg	Yes							Yes			
Netherlands		Yes		Yes			Yes			Yes	shifted financial year/estimated returns
Norway						Yes	Yes		Yes	Yes	large exporters other period
Poland				Yes					Yes		vat payers on cash based method
Portugal		Yes								Yes	
Republic of Serbia											
Romania					Yes	Yes				Yes	
Slovak Republic		Yes		Yes						Yes	
Slovenia	Yes							Yes			
Spain		Yes								Yes	
Sweden		Yes		Yes						Yes	
Switzerland		Yes			Yes	Yes			Yes		simplified declaration, foreign taxpayers
United Kingdom		Yes				Yes			Yes	Yes	
Ukraine				Yes					Yes		
Total	**5**	**12**	**0**	**9**	**4**	**6**	**4**	**5**	**9**	**13**	
in %	**18.5%**	**44.4%**	**0.0%**	**33.3%**	**14.8%**	**22.2%**	**14.8%**	**18.5%**	**33.3%**	**48.1%**	

ANNEX 2C - ANSWERS OVERVIEW (QUESTIONS 1.3-1.5)

Q1.3 VAT declaration periods applicable for Tax administration								Q1.4 Special forms		Q1.5 Payment of VAT refund claim corresponds to VAT declaration period?	
	Not possible	12 periods	6 periods	4 periods	2 period	1 period	Other periods	Special forms		Correspondence	
Austria	Yes								No	Yes	
Azerbaijan	Yes								No	Yes	
Bosnia & Herzegovina	Yes								No	Yes	
Bulgaria	Yes								No		No
Croatia						Yes			No	Yes	
Czech Republic	Yes								No	Yes	
Denmark									No	Yes	
Estonia		Yes							No		No
France				Yes		Yes			No		No
Hungary	Yes							Yes		Yes	
Italy								Yes			No
Latvia				Yes	Yes			Yes			No
Lithuania		Yes			Yes			Yes			No
Luxembourg	Yes								No		No
Netherlands							Yes		No	Yes	
Norway	Yes								No	Yes	
Poland	Yes								No		No
Portugal	Yes								No		No
Republic of Serbia		Yes		Yes	Yes			Yes		Yes	
Romania									No		No
Slovak Republic							Yes		No		No
Slovenia	Yes								No		No
Spain	Yes								No		No
Sweden		Yes		Yes		Yes			No	Yes	
Switzerland									No		No
United Kingdom		Yes					Yes		No	Yes	
Ukraine	Yes								No		No
Total	**13**	**5**	**0**	**4**	**3**	**3**	**3**	**5**	**22**	**12**	**15**
in %	**48.1%**	**18.5%**	**0.0%**	**14.8%**	**11.1%**	**11.1%**	**11.1%**	**18.5%**	**81.5%**	**44.4%**	**55.6%**

ANNEX 2D – QUESTION 1.6 WHAT OTHER INFORMATION IS REQUESTED IN THE VAT RETURN AND IS THIS INFORMATION USED FOR RISK ASSESSMENT OF THE VAT RETURN?

Data requested (please tick)	Is there a specific box on the VAT return?	Used for risk analysis		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
		Manual	Automatically	1	2	3
QUESTIONS REGARDING OUTPUT VAT **Austria** Specific information related to domestic law **Lithuania** Goods and services supplied outside territory of Lithuania (including sales using triangular trade) **The Netherlands** Private use of goods (e.g., cars) **Portugal** VAT regulations in favour of the state **Ukraine** Services supply by non-residents **UK** – Supplies subject to reverse charge procedures – Output VAT due where the customer issues a self-billed sales invoice	Austria, Lithuania, the Netherlands, Portugal	Ukraine, the United Kingdom	Austria, Lithuania, Portugal, Ukraine		Portugal, the United Kingdom	Austria, Lithuania, Ukraine

IOTA Report for Tax Administrations – Validation of VAT Refund Claims

Data requested (please tick)	Is there a specific box on the VAT return?	Used for risk analysis		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
		Manual	Automatically	1	2	3
Cont. QUESTIONS REGARDING OUTPUT VAT **Hungary** Several specific information related to domestic law **Poland** - Supply of goods and provision of services outside of the territory of the country - Including provision of services in case of which client is a taxpayer - Import of goods subject to settlement according to simplified procedure - Import of services in total - Including acquisition of services from taxpayers of value added tax, in case of which the client is a taxpayer - The amount of output VAT on goods covered by the physical stock list - The amount of output VAT on IC acquisitions of means of transport subject to deduction **Switzerland**: Margin scheme	Hungary, Poland, Switzerland	Hungary, Switzerland	Hungary, Poland	Switzerland	Hungary	Poland

IOTA Report for Tax Administrations – Validation of VAT Refund Claims

Data requested (please tick)	Is there a specific box on the VAT return?	Used for risk analysis		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
		Manual	Automatically	1	2	3
QUESTIONS REGARDING INPUT VAT **Austria and Hungary** Several specific information related to domestic law **Latvia** - Adjustment of the assessed VAT (detailed list of sales) - Input VAT adjustment (details list of domestic and EU acquisitions - Compensation paid to farmers - **Lithuania** Intra-Community acquisitions using triangular trade **Netherlands** - Small companies - Estimated declarations **Poland** Other information required in the VAT return form: - The amount of surplus from the previous VAT return - The amount of input VAT resulting from the physical stock list (in case of exceeding the amount of subjective exemption) - Correction of input VAT on acquisition of means of transport - Correction of input VAT on the other acquisitions **Portugal** - VAT regulations in favour of the taxpayer - Amount of the VAT credit reported from the previous period **Slovak Republic** - Deduction of tax on registration of taxpayers - Tax refund to foreign person - Advanced tax payments for the sale of goods at marked place triangle transaction **The United Kingdom** - Supplies subject to reverse charge procedures - Input VAT reclaimed where customer issues self billed sales invoice	Hungary, Latvia, Lithuania, the Netherlands, Portugal, the Slovak Republic, Slovenia	Hungary, Latvia, the United Kingdom	Hungary, Latvia, Portugal, Slovenia		Hungary, Latvia, Portugal	The United Kingdom

Data requested (please tick)	Is there a specific box on the VAT return?	Used for risk analysis		Experience on how useful information is for risk assessment ("1" not useful, "2" useful, "3" very useful)		
		Manual	Automatically	1	2	3
OTHER QUESTIONS ASKED **Norway** separate box for indicating if it is a paying or refunding VAT return, to avoid misunderstanding **Poland** - The amount expended on the purchase of cash registers subject to deduction in a given settling period - The amount of tax subject to abandonment of tax collection - The amount of tax to be paid to tax office - The amount expended on the purchase of cash registers to be refunded in a given settling period - The amount of VAT refund into the bank account indicated by taxpayer - Including specifications on refund within various time-limits - The amount to be forwarded for the next settling period **Portugal** Amount of the VAT credit to report to the following period **Sweden** Information text box	Norway, Poland, Portugal		Norway, Poland, Portugal		Norway, Portugal	Poland

Explanation to figures in tables 2 and 2D

In the table in Annex 2 the percentage given shows how many of the replying administrations have been ticking off the various alternatives. Some explanation to the figures in the table:

- The highest score in the table "Data requested" is 96.2 %. The explanation for this is that one tax administration did not fill in the table but only gave some comments to this question.
- Some tax administrations have not evaluated the usefulness of the information; this is why the sums under "Experience of how useful information is for risk assessment" do not match.
- Some tax administrations have an automated and a manual risk selection/ assessment-process, see more about this under Chapter 5. The sum of the figures in the column "Used for risk analyses" is therefore for some of the information higher than the sums under "Data requested".
- All the percentage figures are of the total number of tax administrations that have replied to this part of the Questionnaire. Consequently when "usefulness" is evaluated, the percentage relates to the total, not limited to the tax administrations requesting this specific question.
- Some of the questions are relevant for tax administrations from EU Member Countries only. This concerns, for example, the question "Turnover related to EU supplies". However, the percentage relates to the total number of tax administrations that have replied to this part of the Questionnaire, not only from EU Member States.-In Spain, apart from the forms of self-assessment (quarterly or monthly), there is an annual informative form. The answers to the table of question 1.6 are based on the annual informative form.

ANNEX 3 – THE USE OF IT SYSTEMS IN THE COURSE OF VAT REFUND VALIDATION PROCESS (QUESTIONS 2.1 & 2.1.1 AND 2.2 & 2.2.1)

Countries applying one phase validation process			Countries applying multi-phase validation process					
			Pre-selection			Further selection		
Manual	IT supported		Manual	IT supported		Manual	IT supported	
		IT specifically for VAT refunds			IT specifically for VAT refunds			IT specifically for VAT refunds
Bosnia & Herzegovina Croatia Luxembourg Slovenia Ukraine	Azerbaijan France Latvia Lithuania	Azerbaijan France Latvia Lithuania		Austria Bulgaria Czech Republic Denmark Estonia Hungary Netherlands Norway Poland Portugal Romania Serbia Slovakia Sweden Switzerland United Kingdom	Bulgaria Czech Republic Denmark Estonia Hungary Netherlands Norway Portugal Romania Serbia Slovakia Sweden United Kingdom Spain	Czech Republic Norway Romania Switzerland United Kingdom Spain	Austria Bulgaria Denmark Estonia Hungary Netherlands Poland Portugal Serbia Slovakia Sweden	Bulgaria Denmark Estonia Hungary Netherlands Poland Portugal Serbia Slovakia Sweden

ANNEX 4 - THE LEVEL OF VAT REFUND VALIDATION PROCESS (QUESTIONS 2.1.2 AND 2.2.2)

	Level of VAT refund validation process	Country
One-phase selection	Central level	Azerbaijan, Bosnia & Herzegovina, Luxemburg,
	Regional level	Lithuania
	Local level	Croatia, France, Latvia, Slovenia
	Mixed level	Ukraine,
Multi-phase selection (pre-selection)	Central level	Czech Republic, Denmark, Estonia, Portugal, Switzerland, Netherlands Spain
	Regional level	
	Local level	Poland, Romania
	Mixed level	Austria, Bulgaria, Hungary, Norway, Serbia, Slovakia, Sweden, United Kingdom
Multi-phase selection (further selection)	Central level	Austria, Sweden, Switzerland, United Kingdom
	Regional level	Estonia
	Local level	Bulgaria, Czech Republic, Denmark, Norway, Poland, Romania, Slovakia, Netherlands, Spain
	Mixed level	Hungary, Portugal, Serbia

ANNEX 5 - SOURCES OF INFORMATION USED BY IT SYSTEMS FOR VAT REFUND VALIDATION (QUESTIONS 2.1.3 AND 2.2.3)

IT system information sources	Countries applying one-phase selection and using the source of information	Countries applying multi-phase selection and using the source of information	
		for pre-selection	for further selection
VAT declaration information	Azerbaijan, France, Latvia, Lithuania,	Austria, Bulgaria, Czech Republic, Estonia, Hungary, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Sweden, Switzerland, United Kingdom Spain	Austria, Bulgaria, Czech Republic, Denmark, Estonia, Netherlands, Norway, Poland, Portugal, Serbia, Slovakia, Sweden
VAT declaration history	France, Latvia, Lithuania, Romania,	Bulgaria, Czech Republic, Denmark, Estonia, Norway, Portugal, Serbia, Slovakia, Sweden, Switzerland, United Kingdom, Spain	Austria, Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Netherlands, Norway, Poland, Portugal, Serbia, Slovakia, Sweden
Audit history	Azerbaijan, France, Latria, Lithuania, Romania,	Bulgaria, Hungary, Serbia, Slovakia, Sweden, United Kingdom, Spain	Austria, Bulgaria, Czech Republic, Denmark, Hungary, Netherlands, Norway, Poland, Portugal, Serbia, Slovakia, Sweden
Other internal sources - registration details		Bulgaria, Poland	Bulgaria, Czech Republic, Estonia, Poland, Sweden
Other internal sources - administrative violations, severe irregularities, committed tax law infringements, involvement in tax fraud, criminal investigation	Lithuania	Bulgaria, Hungary	Bulgaria, Czech Republic, Sweden
Other internal sources – VIES, recapitulative statements		Bulgaria	Bulgaria, Czech Republic, Poland, Portugal
Other internal sources - control data, audit data		Hungary	
Other internal sources - current tax account data		Hungary	Hungary
Other internal sources - data of various public dues		Hungary	
Other internal sources - database on taxpayers with severe irregularities, warning list		Hungary, Switzerland	
Other internal sources - KAT system including indicators of TP's payment capacity, payment history, collection data, levy			Hungary, Norway, Sweden, Netherlands
Other internal sources - KoKaln - Information system of risky connections (taxpayers within the circle of interest of deliberately tax evading taxpayers)			Hungary
Other internal sources - pre-registration VAT control	Lithuania		
Other internal sources - balance sheet management application (appl.) from operators	Romania		
Other internal sources - tax record management appl.	Romania		
Other internal sources - application processing and managing tax returns	Romania		
Other internal sources - history of direct tax		Slovakia	Slovakia, Poland
Other internal sources - data warehouse		Sweden	Nowary
Other internal sources - information from attachments: suppliers list, clients list, import export information		Portugal	
Other internal sources - debts			Denmark, Sweden
Other internal sources - tax remitters/employers			Estonia
Other internal sources - system of managing tax receivables / creditors	Romania		Sweden
Company house information	Latvia, Lithuania,	Bulgaria, Denmark, Estonia, Norway, Sweden, Spain	Bulgaria, Czech Republic, Estonia, Netherlands, Norway, Portugal, Serbia, Sweden
Customs information	Azerbaijan, Latria, Lithuania,	Bulgaria, Denmark, Hungary, Portugal, Serbia, Sweden, Spain	Bulgaria, Czech Republic, Norway, Portugal, Sweden
Others - notary database	Lithuania	Spain	
Others - social security database	Lithuania	Spain	
Others - real estate database	Lithuania	Spain	
Others - vehicle register	Lithuania	Spain	
Others - experience with TP's behaviour			Czech Republic,
Others - Internet			Czech Republic, Norway
Others - information provided by private companies, e.g., economic information			Norway

ANNEX 6 - CRITERIA GROUP 1: IRREGULARITIES (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: <u>irregularities found</u>	**Countries applying one-phase selection and using the selection criteria**	**Countries applying multi-phase selection and using the selection criteria**	
		for pre-selection	**for further selection**
General behaviour of taxpayer/recent significant violations detected in the taxpayer's activity/non compliance with all tax duties by the taxpayer/ irregularities have already been discovered for the taxable person within procedures of supervision over VAT/previous VAT tax adjustments/taxpayer to whom corrections have been made in previous tax periods/ breaches established for the past two calendar years	Latvia, Slovenia, France	Austria, Bulgaria, Portugal, Spain	Portugal, Switzerland
Results of audits performed /irregularities found in the course of previous audits	Lithuania	Bulgaria	Denmark, Poland, Slovakia, Sweden
High frequency of adjustments by the taxable person in the data on turnover in the VIES-declarations or availability of high-value adjustments		Bulgaria	
The absence of warranty when requested		Portugal,	
Non compliance with all the conditions to claim the refund, such as, e.g., not sending the set attachments/VAT refund request must be complete	Bosnia and Herzegovina	Portugal	
errors in the attachments submitted, such as list of clients and suppliers with errors (invalid or ceased VAT numbers of suppliers or clients), invalid numbers of the customs documents, customs documents in duplicate		Portugal	Portugal
The taxpayer has the facts, the nature of the crime, included in tax record and submitted the statement with a negative amount of VAT repayment		Romania	
The taxpayer has been set high degree of fiscal risk, (for large & medium-sized taxpayers)/recent significant risks detected in the taxpayer's activity/taxable persons that the tax inspection work has information of a high tax risk	Latvia	Romania	
Tax returns and information statements: 390 (VIES) „Summary statement on deliveries / acquisitions of goods" and 394 „Information Statement on supplies and acquisitions made in the national territory " not submitted in the last 12 months (for medium taxpayers)		Romania	
Taxpayers that have not submitted financial statements for submission within the last 12 months (for medium taxpayers);		Romania	
Taxable persons that did not submit all the information required for the calculation sheet of negative individual standards (SIN = maximum amount of VAT that can be reimbursed without documentation or analysis of early tax inspection)		Romania	
Amount and rate of rejected VAT refund claims from taxpayer based on previous requests	France		
Does the company submit regularly VAT returns/late filing of declarations/not filing declarations at all/ taxpayer hasn't submitted tax return on direct tax and claims to refund VAT excess deduction/taxpayer hasn't submitted tax returns on VAT and claims to refund VAT excess deduction	France	Slovakia	Sweden
Record in a warning list/record in Central Database of Specific Entities/if tax payer is included or related to persons included in the internal data base containing negative information/supplies from risky contractors who are included in the "Risk list" are available in the purchases or sales register	Lithuania	Bulgaria, Switzerland	Poland
History of payments/irregular VAT payment/late or no payment/payment of assessed amounts/amount of unpaid taxes and/or mandatory social security contributions	France	Bulgaria	Netherlands, Sweden

ANNEX 7 - CRITERIA GROUP 2: REGISTRATION DATA AND CHANGES CONCERNING THE DATA (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: registration data and changes concerning the data	**Countries applying one-phase selection and using the selection criteria**	**Countries applying multi-phase selection and using the selection criteria**	
		for pre-selection	**for further selection**
Several VAT registrations/ deregistrations (if taxpayer has been deregistered from VAT before)	Lithuania	Bulgaria	
Members of the management board of a business company/persons involved in the business (directors, board-members, accountant/book-keeper)/ownership/changes of officials	Lithuania	Estonia, Norway	Sweden
When the company was entered to the commercial register/since when the company is liable to pay VAT		Estonia	
Conformity of data concerning taxpayer's representation included in VAT return to the registration data of taxpayer (e.g. data resulting from entry to the National Court Register, contract of a company, data base in tax office or registration records); the way of taxpayer's representation, authorisations and their scope (taking into consideration persons, towards whom ban on trade or functioning as an attorney was pronounced - as long as tax office has such data)		Poland	
The absence of bank account/change, update of bank account data		Poland, Portugal	
Taxable persons with no employees		Romania	
Location (address of accommodation)/changes of addresses / post office box address	France, Lithuania		Norway, Sweden
First tax return after taxpayer's local jurisdiction change		Slovakia	
Name of the entity			Norway
Large amounts of acquisitions related to fixed assets declared by the taxpayer in comparison with declared type of business activity and the place of running business activity (e.g., place of residence)			Poland
Refund claim by a non-resident without fixed establishment			Portugal
Associates/relations to other companies/risky connections			Hungary, Sweden
Declaring Intra-Community supplies by taxpayers not registered as EU VAT taxpayers			Poland
Declaring Intra-Community supplies to entities not registered for Intra-Community transactions/Intra-Community Supplies declared by the taxable person to contractors from EU Member States that have invalid VIN number and are not registered or are deregistered by the date of invoice issue		Bulgaria	Poland
Refund claim due to the taxpayer activity's cessation			Portugal

ANNEX 8 - CRITERIA GROUP 3: TYPE/ CHARACTER BUSINESS ACTIVITY, CHANGES IN THIS FIELD (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: type / character of business activity and changes in this field	**Countries applying one-phase selection and using the selection criteria**	**Countries applying multi-phase selection and using the selection criteria**	
		for pre-selection	**for further selection**
Business branch/ type of activity/ sector of activity (real estate, cars and others depending on local definition)/ the taxable person performs risky business activities (construction, waste materials, used vehicles, etc.)/ risk sectors within Intra-Community transactions/ taxable persons not dealing with real estate or movable assets	Lithuania, France, Slovenia	Austria, Bulgaria, Norway, Romania SPAIN	Poland, Portugal, Slovakia, Sweden
Type of goods/ presence of risk goods (mobile phones, electronic components, etc.) that are subject of arrivals/ dispatches/ sale of waste materials, sale of used vehicles, etc./ production and or wholesale of alcoholic beverages, tobacco, petroleum, wholesale trade of live animals	Lithuania, Slovenia	Austria, Bulgaria, Romania	
Exporter/ non-exporter	Bosnia and Herzegovina, Latvia, France	Denmark	Portugal
Changes in the nature of the supplies performed		Bulgaria	
Availability of contractors that are both customers and suppliers of the taxable person		Bulgaria	
The taxable person is simultaneously performing various types of supplies - supplies of numerous goods and delivery of services		Bulgaria	
Taxpayers who are carrying out transactions taxable at a reduced VAT rate/ applying reduced VAT rates by the taxpayer in comparison with the type of declared business activity	Latvia		Poland
Large amounts of acquisitions related to fixed assets declared by the taxpayer in comparison with declared type of business activity and the place of running business activity (e.g., place of residence)			Poland
Real estate activity when taxpayers waived their VAT exemption right			Portugal

ANNEX 9 - CRITERIA GROUP 4: LEGAL & ORGANISATIONAL FORM OF BUSINESS ACTIVITY (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: legal & organisational form of business activity	**Countries applying one-phase selection and using the selection criteria**	**Countries applying multi-phase selection and using the selection criteria**	
		for pre-selection	**for further selection**
Holdings in companies		Bulgaria	
Cooperatives		Bulgaria	
Non-profit legal entities		Bulgaria	
Taxpayers/ companies with share capital which are making payments for the use of state capital	Latvia		
Legal form/ entity (ltd company and so on)		Norway	Sweden
Foreign company	France		
Public body	France		
Credit limited companies		Denmark	
Rate of added value in longer period with regard to group			Serbia

ANNEX 10 - CRITERIA GROUP 5: BEING SUBJECT TO SPECIFIC PROCEDURES/ PROCEEDINGS (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: being subject to specific procedures / proceedings	**Countries applying one-phase selection and using the selection criteria**	**Countries applying multi-phase selection and using the selection criteria**	
		for pre-selection	**for further selection**
The taxpayer has been open insolvency proceedings or commenced voluntary liquidation proceedings and submitted the statement with a negative amount of VAT repayment (for large and medium-sized taxpayers)		Romania	
Taxable persons for which the competent fiscal authority has approved the semester or calendar year tax period		Romania	
Company in liquidation	France	Spain	
Annual declaration period			Netherlands

ANNEX 11 - CRITERIA GROUP 6: RATIOS & VALUES RESULTING FROM ECONOMIC & TAX DATA (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: ratios and values resulting from economic and tax data	Countries applying one-phase selection and using the selection criteria	Countries applying multi-phase selection and using the selection criteria	
		for pre-selection	for further selection
Turnover/ presence of unusual deviations of the tax basis/ sudden increase of turnover (more than 100%) in relation to the previous settling period		Bulgaria, Estonia	Poland
Declaration of a large amount of the VAT assessed and the tax credit used while the result subject to VAT payment is inconsistent with the turnover for the respective period		Bulgaria	
Significant variation in the amount of the VAT for refund for the current period from the amount of the VAT for refund for past comparable periods/ the refund amount deviates from previous amounts/ refund claim considerably higher than the previous one	Slovenia	Bulgaria	Portugal
Discrepancy between the volume of Intra-Community acquisitions declared by the taxable person and the Intra-Community suppliers to this persons that are declared by foreign persons		Bulgaria	
Gap between the Intra-Community supplies declared by the taxable person in the VIES declaration and the ones declared in the sales register		Bulgaria	
Size of VAT refund claim (the amount)/ the amount of taxpayer's VAT refund claim/ taxpayer's individual negative norm (the amount)/ high amount of refund claim (bigger than EUR 1,000,000)/ negative result exceeds UAH 100,000/ amount of refund claim & relation to individual negative norm	France, Ukraine	Denmark, Poland, Sweden, Switzerland, Netherlands	Denmark, Portugal, Netherlands
Salary/ wages/ average salaries are lower than certain amount	Lithuania	Estonia	
Ratio between the input tax and the output tax		Estonia	
The number of employees/ decrease of employees	Lithuania	Estonia	
Previously repaid amount of VAT refund	Lithuania		
Sales/ acquisitions ratio	Lithuania		
VAT refund claim submitted for the first time/ first refund claim and higher than EUR 10,000	Lithuania, France		Portugal
Ratios between the different figures in the VAT return, both as regards the present VAT return and also compared with figures in earlier VAT returns (historic data)/ ratios on declaration data/ different crosschecks within the VAT statement/ the figures of VAT declaration match together and compare with figures of former VAT declarations		Austria, Norway, Sweden, Switzerland, Spain	Switzerland
Taxable persons with SIN-negative (VAT amount collected exceeds the amount of VAT deductible in the reference period)		Romania	
Taxable persons that within 6 months have claimed VAT refund at least two times once employment at medium or high risk category		Romania	
No taxable turnover/increase of no taxable operations	France		
Investment out of proportion/ refund connected with investment/ large amounts of acquisitions related to fixed assets declared by the taxpayer in comparison with declared type of business activity and the place of running business activity (e.g., place of residence)/ the taxable person states high purchases of fixed assets and on the basis of this states high amounts of input tax	France, Slovenia	Austria	Poland
Financial risk	France		

Selection criteria group: ratios and values resulting from economic and tax data	Countries applying one-phase selection and using the selection criteria	Countries applying multi-phase selection and using the selection criteria	
		for pre-selection	for further selection
One shot amplitude of exceed deduction (in comparison to previous periods)		Slovakia	
Tax return with exceed deduction or tax duty ending with 000		Slovakia	
High turnover and low tax duty or low exceed deduction		Slovakia	
The taxable person has constant surpluses and has no status of principal exporters	Slovenia		
Size of debts/ size of debts in relation to other variables/ number of debts			Denmark, Sweden
Number of audits			Denmark
Occurrence of considerable inconsistency (25% and more, and in case of specialised tax offices 15% and more) between the data included in VAT returns (presented quarterly) and the data resulting from recapitulative statements in the period of the last two quarters, and in case such inconsistency occurs whether it was clarified or not			Poland
Applying reduced VAT rates by the taxpayer in comparison with the type of declared business activity	Latvia		Poland
Increasing large amounts of input VAT surplus over output VAT to be forwarded for the next settling periods declared for a long period of time (more than twelve months) by the taxpayer, as long as correctness of VAT settlement for the previous periods was not verified			Poland
Occurrence of sales in one settling period after six moths period of no turnover			Poland
Declaring losses (based on annual income tax statements) for the last two years of running business activity/ income made in the period under review/ history of direct tax			Poland, Romania, Slovakia
Taxpayer that declares high values of exempt transactions without the right to tax deduction			Portugal
Exempt transactions declared considerably higher than that declared in the previous refund (more than the double)			Portugal
Taxpayer that began declaring exempt transactions which have the right to tax deduction			Portugal
Refunds that are originated in report credit during more than three consecutive periods			Portugal
Inconsistencies between the values of the periodical return and the data present in the attachments		Portugal	Portugal
Trend of net VAT & trend swing			Serbia
Correlation of data with data about import			Serbia
Correlation of data with data about export			Serbia
Correlation of data with data from financial report			Serbia
Procurement of the period under review			Romania
Prevailing operations of the period under review			Romania
Rate of added value in longer period with regard to group			Serbia
Tax payment capacity			Hungary
Creditors			Sweden
Availability of supplies for which discrepancies have been established during the cross check in the “VAT registered persons registers of purchases and sales” database		Bulgaria	

ANNEX 12 - CRITERIA GROUP 7: PERIOD OF RUNNING BUSINESS ACTIVITY (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: period of running business activity	Countries applying one-phase selection and using the selection criteria	Countries applying multi-phase selection and using the selection criteria	
		for pre-selection	for further selection
New company/ new VAT payer/ since the company is liable to pay VAT	France, Lithuania	Estonia, Poland, Romania	Denmark, Sweden
Ceased company	France		
A newly registered taxable person claiming VAT refund for the first time	Slovenia		
The taxpayer has been operating for more than one year & the taxpayer previously has submitted a VAT refund claim(s)	Latvia		
The taxpayer has been operating for more than one year & the taxpayer previously has submitted a claim to offset excess credits against other taxes or mandatory payments	Latvia		

ANNEX 13 - CRITERIA GROUP 8: INTEREST IN A SPECIFIC ENTITY (QUESTIONS 2.1.4 AND 2.2.4)

Selection criteria group: interest in a specific entity	Countries applying one-phase selection and using the selection criteria	Countries applying multi-phase selection and using the selection criteria	
		for pre-selection	for further selection
Availability of multiple requests from foreign tax administrations using the forms of administrative cooperation with regard to the selected taxable person		Bulgaria	
Numerous validations of taxable person's VAT number through the "VIES" software		Bulgaria	
Unreleased motions for audit			Poland
Information concerning VAT frauds received on SCAC form			Poland

ANNEX 14 - CATEGORIES OF VAT REFUND CLAIMS RESULTING FROM VALIDATION PROCESS (QUESTIONS 2.1.5 AND 2.2.5)

Categories of VAT refund claims	Countries applying one-phase selection and determining the categories	Countries applying multi-phase selection and determining the categories	
		from pre-selection	from further selection
VAT refund for field audit	Azerbaijan, Croatia, Latvia. Lithuania, Slovenia,	Austria, Bulgaria, Denmark, Hungary, Poland, Romania, Serbia, United Kingdom, Spain	Austria, Bulgaria, Czech Republic, Denmark, Norway, Poland, Portugal, Romania, Switzerland
VAT refund for desk audit	Azerbaijan, Croatia, Latvia, Lithuania, Slovenia	Austria, Hungary, Norway, Poland, Romania, United Kingdom, Spain	Austria, Portugal, Poland, Romania
VAT refund for optional verification		Spain	
VAT refund for compulsory verification		Spain	
VAT refund for further analysis/ selection/ verification	Slovenia	Austria, Bulgaria, Denmark, Estonia, Hungary, Netherlands, Poland, Portugal, Switzerland	Bulgaria, Denmark, Switzerland
VAT refund for short examination	France		
VAT refund for in-depth examination	France		
VAT refund resulting from tax return with formal mistakes		Norway	
VAT refund resulting from tax return with additional attachments		Norway	
VAT refund accepted for payment/ of no risk/ without any further actions or not accepted, for denial of payment/ risky	Azerbaijan, Bosnia & Herzegovina, Croatia, France, Latvia, Lithuania, Slovenia,	Austria, Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, United Kingdom, Spain	Austria, Bulgaria, Czech Republic, Denmark, Estonia, Hungary, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Sweden, Switzerland
VAT refund for partial denial of payment/ partial payment			Norway
VAT refund accepted for payment but a query generated for post repayment credibility examination		United Kingdom	
Risky VAT refund (based on risk analysis)	Latvia, Lithuania	Czech Republic, Estonia, Romania, Serbia, Slovakia, United Kingdom	Austria, Estonia, Hungary, Netherlands, Romania, Slovakia, Sweden
VAT refund claim selected by specific unit (e.g., head office, another team)		Denmark, Serbia	Denmark
VAT refund claimed by company changing declaration period		Denmark	Denmark
VAT refund claimed by credit limited company - for field or verification		Denmark	Denmark
VAT refund claimed by exporter - for field or verification		Denmark	Denmark
VAT refund claimed by large exporter	Bosnia & Herzegovina		
VAT refund claimed by other taxpayer than large exporter	Bosnia & Herzegovina		
VAT refund suspected of fraud		Bulgaria, Portugal, United Kingdom	Bulgaria

ANNEX 15 - ANSWERS OVERVIEW (QUESTIONS 4.1-4.7)

Countries	Question 4.1	Question 4.2	Question 4.3	Question 4.4	Question 4.5	Question 4.6	Question 4.7
Signal of remarks and notes from countries	Does your tax administration (TA) have indicator(s) to evaluate the performance of VAT refund claims on national level?	Does your TA evaluate the VAT refund claims process?	Based on evaluations, what are the most efficient items/ approaches in the VAT refund claims process in your TA?	Obstacles that reduce the effectiveness of the VAT refund claims process in your TA?	Has your TA identified potential parts of the VAT refund process which could be adapted?	Available statistics on key information in your country related to VAT	Any other relevant and useful information from your TA on this subject that you could provide
Austria		Yes	Yes			Yes	
Azerbaijan						Yes	
Bosnia & Herzegovina				Yes	Yes	Yes	
Bulgaria	Yes	Yes	Yes	Yes	Yes	Yes	
Croatia		Yes		Yes	Yes	Yes	
Czech Republic	Yes	Yes	Yes	Yes	Yes	Yes	
Denmark	Yes	Yes		Yes	Yes	Yes	
Estonia	Yes	Yes			Yes	Yes	
France	Yes	Yes	Yes			Yes	
Hungary	Yes	Yes	Yes	Yes		Yes	Yes
Italy	Yes	Yes			Yes		
Latvia	Yes	Yes	Yes		Yes	Yes	
Lithuania	Yes	Yes	Yes	Yes	Yes	Yes	
Luxembourg						Yes	
Netherlands	Yes	Yes	Yes		Yes	Yes	Yes
Norway	Yes	Yes	Yes	Yes	Yes	Yes	
Poland	Yes	Yes	Yes	Yes	Yes	Yes	
Portugal	Yes	Yes	Yes	Yes		Yes	
Republic of Serbia	Yes	Yes				Yes	
Romania	Yes	Yes				Yes	
Slovak Republic	Yes	Yes	Yes	Yes	Yes	Yes	
Slovenia				Yes	Yes	Yes	
Spain	Yes	Yes	Yes		Yes	Yes	
Sweden	Yes	Yes	Yes			Yes	
Switzerland		Yes		Yes	Yes		
United Kingdom	Yes	Yes	Yes	Yes	Yes	Yes	
Ukraine	Yes	Yes		Yes	Yes	Yes	

ANNEX 16 – QUESTION 4.6 AVAILABLE STATISTICS ON VAT KEY INFORMATION

	Number of VAT registrants. 31December 2008	Number of received VAT returns. Year 2008	Number of VAT refund claims. Year 2008	Total sum of VAT refund claims. Year 2008	EUR
Austria	816,783	349,435			M€
Azerbaijan	13,514	133,354			M€
Bosnia and Herzegovina	45,617	573,104	24,134		M€
Bulgaria	167,557	0	92,516	3,027	M€
Croatia	170,638	0	51,354		M€
Czech Republic	493,394	2,928,471		10,464	M€
Denmark	385,326	1,619,183	280,217	20,716	M€
Estonia	64,606	785,130	120,064	1,040	M€
France	3,570,659	19,840,182	1,210,734	48,157	M€
Hungary	1,589,677	2,636,499	63,912	2,030	M€
Italia			45,639	7,780	M€
Latvia	80,862	932,277	28,613	905	M€
Lithuania	6,833	669,353	111,096	1,060	M€
Luxembourg	54,393	0	56,473	181	M€
Netherlands	1,408,000	7,150,000	1,542,000		M€
Norway	342,168	1,450,000		16,171	M€
Poland	2,291,842	16,381,784	935,948	14,455	M€
Portugal	790,575	3,472,095	52,083	4,512	M€
Republic of Serbia	116,602	831,551	40,002		
Romania	592,467	3,086,562	54,286	2,962	M€
Slovak republic	182,000	1,170,000	303,000	6,200	M€
Slovenia	92,408	628,799	66,119		M€
Spain	5,185,417	3,548,340	450,641	31,606	M€
Sweden	977,708	3,119,345	1,121,985	24,288	M€
Switzerland	319,408	1,025,448			M€
United Kingdom	1,960,567	8,217,511	1,948,408	59,800	M€
Ukraine	335,934	3,868,465			M€
Total	22,054,955	84,416,888	8,599,224	255,354	M€

Spain:

(1) No specific VAT roll, there are 5,185,417 registrants in the "businesses, professionals and withholders roll".

(2) 3,548,340 number of informative annual returns (recapitulative statement; not self-assessment)

(3) 450,641 plus 772,345 returns declaring amounts to be compensated in subsequent years.

(4) EUR 31,606 million plus EUR 10,158 million declared to be compensated in subsequent years.