

# Carousel fraud soars in European Union

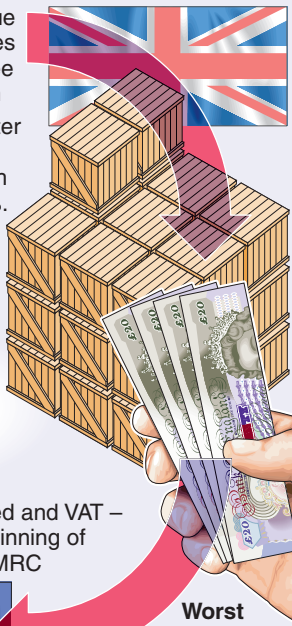
Despite a crackdown on VAT fraudsters, incidents of carousel fraud in the EU now stand at their highest level since 1999, according to Belgian anti-fraud taskforce *Cellule de Soutien*. The UK lost five times more money to VAT cheats than any other EU country in the year to June 2006



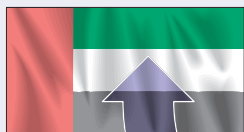
**■ Carousel fraud:** Exploits single-market rules which allow goods to cross EU borders VAT-free

**1. Belgium:** Small, high-value goods such as mobile phones are imported VAT-free into United Kingdom

**2. UK:** British importer sells goods to chain of bogus traders with VAT added at 17.5%. **Tax is never handed over to HM Revenue and Customs (HMRC)**



**5. Carousel:** Cycle typically repeated up to 30 times



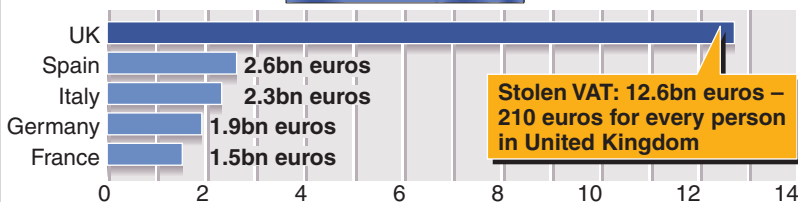
**4. Dubai connection:** By exporting goods via Dubai, fraudsters break evidential chain making scam harder to detect



**3. UK:** Goods are re-exported and VAT – which was never paid at beginning of chain – is reclaimed from HMRC



**Worst offending countries**  
(June 2005-06)



**Stolen VAT: 12.6bn euros – 210 euros for every person in United Kingdom**