

JOINT PUBLIC HEARING

“THE USE OF TAX FRAUDS –INCLUDING VAT OR CAROUSEL FRAUD- TO FINANCE TERRORISM”

QUESTIONS

Replies to the Questions - Mr Bo Elkjaer, investigative reporter Danish Broadcasting Corporation (confirmed)

1. Could you draw the main elements of the investigation you made?

The main element is that there is a direct link between VAT and tax fraud and Islamic extremism.

During our investigation into VAT fraud we found a number of people linked to Islamic extremism that appeared in companies registered in Denmark that were involved in VAT fraud:

- One person is the only Danish citizen who has been listed on the US Specially Designated Nationals and Blocked Persons lists
- Eleven Spanish citizens linked to a suspected terror cell
- Several Danish foreign fighters in Syria
- Other nationalities involved in the network

The network we uncovered is behind fraud worth at least 80 million DKK (10.7 million Euro).

The network appears to be directed from Denmark, utilizing the Spanish citizens as stooges in the fraudulent companies.

In Spain the group is suspected of recruiting 26 people as foreign fighters.

The VAT and tax fraud covered goods such as electronics and cell phones, food products, such as chicken meat and cheese, soft drink and candy.

The Danish network is closely linked to a Swedish similar network suspected of supplying funds to jihadist groups in Syria.

2. You made the link between specific carousel fraud schemes and terrorism financing. In your opinion, is this a particular case or is it common for terrorist organisations to finance their activities with the proceeds of tax (in particular VAT carousel) fraud? Do you have estimated of the phenomenon?

Cases of terror funding are very difficult to investigate. This particular case is one of very few that have been revealed to the public. This jihadist linked network is part of a larger criminal network.

But other cases have appeared where it is suspected that parts of the profits of the crime could have been funneled to extremist networks.

In particular I would mention the Italian case where British nationals are involved in VAT fraud with carbon credits in Italy and elsewhere.

Italian authorities assess that the Italian state lost 1.15 billion Euro and suspect that some of the proceeds have been used to fund Islamic terrorism, possibly in Afghanistan.

I don't think it is possible to make an accurate assessment of the extent of terror linked fraud.

In the case of VAT fraud you need to see the criminal fraud as a sub sum of the VAT gap and the terror-linked fraud as a sub sum of the criminal fraud.

We have found several different iterations of fraud types in the particular case we have revealed including social security fraud, insurance fraud, bank fraud etc.

3. If there are new elements since the publication of your investigations, could please share them with the committees?

When we published we assessed that the Danish state had lost 59 million DKK (7,9 million Euro), but since then we have received additional documents increasing our assessment of the minimum amount of money lost to the fraud.

One of the leading persons, a Danish citizen, has been arrested in Melilla, Spain, charged with terror funding and fraud.

4. In your investigations you were in contacts with several authorities (law enforcement authorities, judges, tax authorities), what is your assessment/opinion of the cooperation between themselves with regards to the fight against terrorism financing as a result of tax fraud?

In our investigation we found that the cooperation level between Danish authorities have been inadequate. Information sharing has been low between the Tax authorities, the Financial police, the regular police and the Intelligence Service.

We also found that exchange of information cross border between authorities investigating the terror cell in different EU countries have been hampered by bureaucracy.

This fits the pattern we have seen investigating VAT fraud since 2009 with the fraud in the EU ETS emission trading system, where official investigations were hindered due to the lack in exchange of information.

On the other hand, in Denmark, authorities have recently set up information sharing platforms and interdepartmental work groups to share information.

5. Have you identified adaptation of terrorism financing recently?

Yes, but the case is not linked to VAT or tax fraud.

6. You are kindly invited to share with the committees any additional information or suggestion for new EU rules or practices you might consider relevant and that has not been raised in the questions above.