

Effectiveness audit of the fight against VAT fraud

Federal Tax Administration and Federal Office for Customs and Border Security

Key facts

Systematic tax fraud and tax avoidance in the area of value-added tax (VAT) result in tax revenue losses worth billions for Switzerland's European neighbours. For Switzerland, there are no publicly available estimates from the responsible authorities, specifically the Federal Tax Administration (FTA) or the Federal Office for Customs and Border Security (FOCBS). Although the challenge facing the European Union as regards intra-community payments does not affect Switzerland, it can be assumed that it too is incurring losses in tax revenue.

In Switzerland, the FTA and FOCBS are responsible for VAT collection and criminal prosecution. In 2022, their findings led to back tax worth around CHF 148 million being recovered.

The Swiss Federal Audit Office (SFAO) audited the effectiveness of each office's fight against fraud. It focused on the risk-based selection of checks, cooperation and exchanges with other countries.

The topic of VAT on mail-order sales was excluded, as the SFAO had already audited this in 2020¹ and the relevant amendments to the VAT Act will probably enter into force only in 2025.

The SFAO did not observe any major defects in the existing processes.

Selection of checks to be performed based on risk

The FTA and FOCBS use a risk-based approach when selecting their checks. Both offices have also developed methods to identify fraud by service providers who have not registered, or not declared a goods consignment. Effectiveness is regularly checked and continuously improved.

Cooperation between FTA and FOCBS working well

The FTA and FOCBS support each other in administrative and mutual assistance matters. Reciprocal declarations can relate to incorrect values on imports or employees posted to Switzerland to carry out work in Switzerland. There is also a regular exchange on criminal prosecution matters. Combined with exchanges between specialists, this heightens each office's awareness of what the other office needs to perform its tasks.

International exchanges with legal limitations

Administrative and mutual assistance takes place within the legal bounds. An important basis for this is an anti-fraud convention between Switzerland and the European Community and its member countries. However, in the OECD/Council of Europe Convention on Mutual Administrative Assistance in Tax Matters, Switzerland limited the scope of

¹ "Audit of the levying of value added tax on mail-order sales" (audit mandate 20452), available on the SFAO website.

application with regard to VAT. In addition to administrative and mutual assistance, participation in international forums such as the Intra-European Organisation of Tax Administrators (IOTA) represents an important tool in combating fraud. Topics/patterns of international importance are identified and appropriate measures are taken.

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