Find complex tax evasion schemes with advanced analytics

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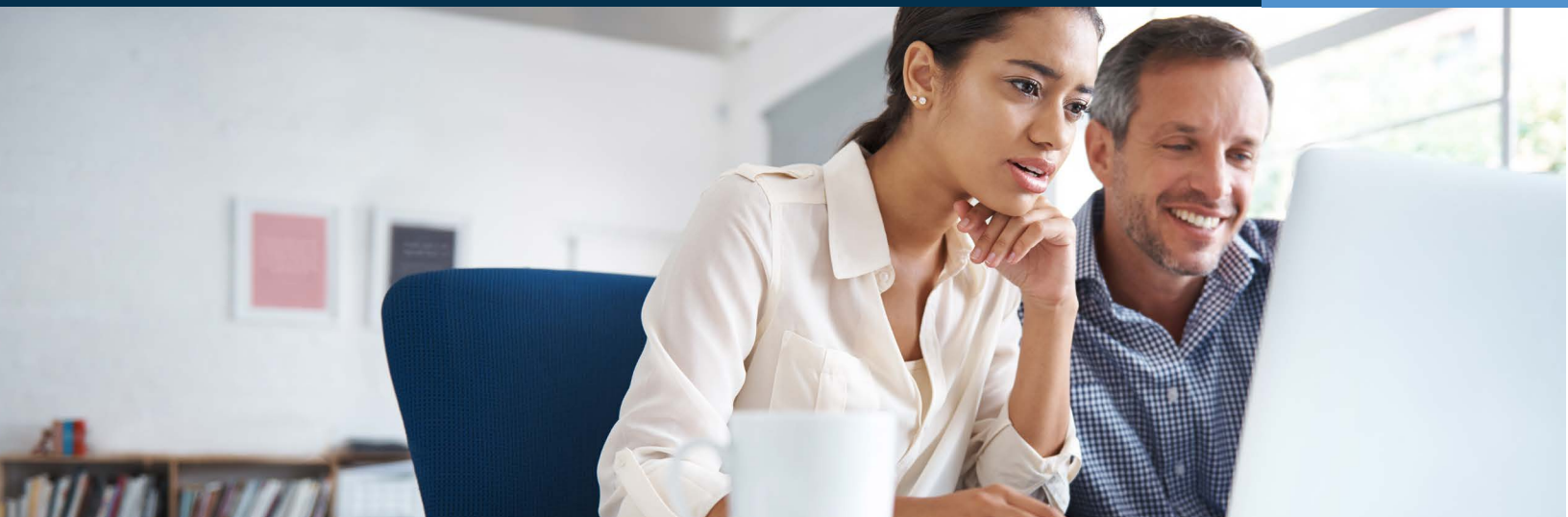
Business Impact

SAS® makes government tax agencies more effective. Many SAS clients realize a 2% to 5% increase in audit revenues and an 8% to 10% increase in collection revenues – without hiring new staff.

Challenges

- **Complex schemes**. Tax evaders create complex networks of corporations and partnerships to move transactions quickly and efficiently to low- or no-tax jurisdictions. Tax agencies struggle to identify these networks and how money flows through them.
- **Limited resources**. Being able to prioritize work and know the most cost-effective action to take on each case is crucial, but it's difficult to do with current tools.
- **Wasted efforts**. One-to-one matching of a single data source against existing tax rolls results in high false-positive rates, so tax officials spend too much time on unproductive cases.
- **Multiple business goals**. Tax collection agencies struggle to achieve the sometimes conflicting goals of high collection rates and high case closure rates.
- **Fake refund requests**. With existing software, it's hard to stop fake refunds before they are paid.

The Issue

Tax evasion is the largest economic crime in the world. Governments typically lose 5% to 20% of revenues to tax evasion and noncompliance in developed nations. In many developing countries, as well as in developed nations with loose enforcement, tax evasion rates can soar as high as 70%. Overall, governments fail to collect trillions in revenues each year that could be used to fund services that provide a better quality of life for citizens.

Amid the trends of globalization, mobility, limited staff and complex, ever-evolving fraud schemes, it has become challenging for tax agencies to deter and uncover tax fraud evasion. With current technologies, it's hard to determine which taxpayers are egregiously noncompliant, and which are technically noncompliant but not productive to pursue.

Despite the best efforts of government leaders, tax evasion rates remain stubbornly high. Fraudsters continue to plague tax administration, as evidenced by the recent surge in identity theft cases. And the globalized economy has made it even easier for taxpayers to move money across borders to avoid paying taxes.

Our Approach

SAS helps governments around the world protect their revenue streams by applying advanced analytics to vast amounts of tax data – uncovering the most egregious and pervasive cases of fraud and noncompliance. We provide software and services to help you:

- Precisely select taxpayers who merit further examination by using advanced analytics to go beyond traditional audit selection and case prioritization.
- Optimize collections using analytics to create a collections plan that's customized to each debtor.
- Discover nonfilers by merging data from multiple sources to generate a comprehensive view of economic activity. This provides a prioritized list of entities with strong economic activity, who are likely to be nonfilers with both a legal obligation and ability to pay.

SAS helps governments identify and respond to fraud and noncompliance faster, while working more effectively and efficiently.

Protect revenue streams through better audit and collections performance

Applying advanced analytics to massive amounts of data, SAS helps you pinpoint evaders and uncover hidden links that indicate collusion for all major revenue sources. This includes individual and corporate income taxes, value-added taxes, ad valorem taxes and customs duties. With SAS, you get:

- **Advanced analytic techniques**. Multiple analytical methods run concurrently to provide deep insight into taxpayer behavior. Then analytical results are translated into plain language so compliance staff can act quickly.

- **Collections optimization**. SAS uses analytics to create a collections plan customized to each taxpayer based on the ability and willingness to pay. These plans help tax agencies make the best use of limited resources and allow staff to forecast how much money they are likely to collect.

- **Network analysis**. SAS identifies both known and hidden linkages among taxpayers, then scores those networks for risk of tax evasion. This capability helps uncover VAT carousel schemes and income tax shelters.

- **Modeling and easy access to multiple data sources**. SAS actively searches numerous data sources to find economic activity that indicates nexus – the ability of government to levy tax upon an entity. Probabilistic models from SAS help determine the likelihood that an unregistered taxpayer is both willing and able to pay any tax liability assessed.

Belgium Special Tax Inspectorate

Situation

The Belgium Special Tax Inspectorate, Belgium's tax authority, needed an analytics solution to help it identify tax evasion and fraud in a timely manner to:

- Combat loss of value added tax (VAT) by criminals estimated at 1.1 billion euros annually.
- Detect and prevent hard-to-prove carousel fraud.
- Stop crime rings from exploiting weaknesses in the VAT system.
- Prioritize investigations of organized fraud.

Solution

Using SAS, the Belgium Special Tax Inspectorate placed powerful analytics in the hands of analysts, tax professionals and investigators. Now, it can search a billion records for suspicious activity at the touch of a button.

Results

SAS revolutionized the way the Belgium Special Tax Inspectorate collects and analyzes data for fraud, enabling it to:

- Automate compliance risk screening.
- Stop fraudulent rebates quickly.
- Provide context-specific case management.
- Visualize customer profiles.
- Manage and govern data.

A hybrid approach provides a highly accurate model (80%) and early detection from the first VAT declaration. VAT carousel fraud was reduced by 98% (from 1.1 billion euros to 22 million). The agency saves time by limiting false-positive results and avoiding unnecessary interventions. The solution enables international collaboration by identifying suspicious companies abroad.

Focus on noncompliance

What if you could pinpoint taxpayers who are egregiously noncompliant while allowing the vast majority of compliant taxpayers to operate without intervention?

Rely on customized, up-to-date collections plans

What if you could create a customized collection plan for every debtor, and update it on a daily basis?

Uncover promising opportunities to levy taxes

What if you could cut your false-positive rate for nonfilers by 50 percent or more?

SAS Facts

SAS helps customers at more than 83,000 sites improve performance and deliver value by making better decisions faster.

- All 15 major US federal departments rely on the power of SAS software.
- Approximately 85 percent of independent US government agencies and commissions use SAS.

Learn more at: sas.com/government.

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