



Evading the Net: Tax Crime in the Fisheries Sector



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ABBREVIATIONS AND ACRONYMS

AIS	Automatic Identification System
EFCA	European Fisheries Control Agency
EU	European Union
FAD	Fisheries and Aquaculture Department
FAO	Food and Agriculture Organisation of the United Nations
FATF	Financial Action Task Force
FFA	Norwegian National Advisory Group against organized illegal, unreported and unregulated-fishing (<i>Fiskeriforvaltningens Analsenettverk</i>)
FIU	Financial Intelligence Unit
GMDSS	Global Maritime Distress and Safety System
GPS	Global Positioning System
NS-FIG	North Sea Fisheries Intelligence Group
NVWA	Netherlands Food and Consumer Product Safety Authority
OECD	Organisation for Economic Co-operation and Development
PSC	Port State Control
RFMO	Regional Fisheries Management Organisations
STR	Suspicious Transaction Report
TAG	Tactical Analytical Group
TFTC	OECD Task Force on Tax Crimes and Other Crimes
UNODC	United Nations Office on Drugs and Crime
VAT	Value Added Tax
VMS	Vessel Monitoring Systems
VTS	Vessel Traffic Services

EXECUTIVE SUMMARY

The fisheries sector is a major global industry, with strategic importance for many countries. In 2010, fisheries and aquaculture provided fish with a total value of USD 217.5 billion.¹ Developing countries are a major participant in this market, providing over 50% of the world fish trade, which contributes a greater amount to their net earnings from foreign exchange than meat, tea, bananas and coffee combined.² The Food and Agriculture Organization of the United Nations (FAO) estimates that over 500 million people in developing countries depend, directly or indirectly, on fisheries and aquaculture for their livelihoods.³ However, despite these positive statistics, the fisheries sector remains vulnerable to organised criminal activity that not only inhibits the ability of countries to enforce fisheries policy, but directly impacts the economic and social well-being of people in both developed and developing countries. A 2011 issues paper by the United Nations Office on Drugs and Crime (UNODC) focused on the role of large-scale organised criminal groups operating within the fisheries sector in the trafficking in persons, the smuggling of migrants and the smuggling of illicit drugs, weapons and illegal tobacco, but found evidence of vulnerabilities to a wide range of organised crime.⁴ This report, prepared by the OECD Task Force on Tax Crimes and Other Crimes, looks at the issue of tax crime in the fisheries sector, and the impact this has on the ability of countries to raise government revenue to fund public expenditure and development. Organised crime is rarely restricted to one sphere, and so a greater understanding of the ways to detect and combat tax crime, should also have a direct positive impact on the ability of countries to combat other criminal activity.

The report begins by looking at the fisheries sector as a value chain, identifying the different stages from preparing a vessel before it sets out to sea, to the export of fish and fish products for sale, along with the key participants at each stage. The report examines the different types of tax crime that countries have identified as connected with the fisheries sector, including frauds in respect of taxes on profit or earnings, customs duties, VAT and social security, including examples from real cases. These include categories of crime that rely more heavily on features characteristic of the fisheries sector, such as incorrect declarations as to the origin, volume or categorisation of a catch, as well as offences that are seen in many industry sectors. The report also discusses aspects of the fisheries sector that make it vulnerable to tax crime and other crime. In particular amongst these are the lack of transparency and the difficulty in obtaining beneficial ownership information, resulting from the prevalence of offshore companies and the practice of registering vessels under flags of convenience in countries other than those of their owners. Finally, strategies available to tax administrations in preventing, detecting and combating tax offences are discussed, including strategies to raise awareness, intelligence gathering, and effective inter-agency and international co-operation, as well as an outline of specific country experiences. The annex to the report includes an outline of basic documentation that is produced at each stage of the value chain and which may be used by tax examiners, tax auditors, tax crime investigators and other government officials in their work.

The report concludes that, although there are many individuals and companies operating in the fisheries sector that are fully compliant with laws and regulations in the countries in which they operate, the global fisheries sector remains vulnerable to a wide range of tax crime and, taken across all areas of tax, the tax revenue lost to criminal activity in this sector is likely to be significant. The effect of this tax loss on developing countries may be particularly great, impacting efforts to promote food security, reduce poverty and finance long term development.

The report makes the following recommendations.

1. Tax administrations should assess their country's vulnerabilities to tax crime arising within the fisheries sector and related service providers, and the effectiveness of existing legal powers and procedures in preventing, detecting and investigating these crimes.
2. A strategy should be developed for tackling tax crime in the fisheries sector and related service providers within their overall approach to tax compliance. This strategy should:
 - promote voluntary compliance in the fisheries sector, including the use of a communications programme aimed at the key stakeholders;
 - ensure that tax examiners, tax auditors and tax crime investigators have the relevant skills and knowledge to detect and combat tax crime in the fisheries sector, within the scope of their roles;
 - improve detection and counter-measures to combat tax crime in the fisheries sector through a whole of government approach, building co-operation with key partner agencies including, inter alia, the customs administration, fisheries authority and inspectorate, coastguard, police and other law enforcement authorities; and
 - promote international co-operation, including exchange of information, with overseas tax administrations in combating tax crime and, where appropriate and permitted, the sharing of information received from overseas concerning serious non-tax offences with the relevant government authority or law enforcement authority.
3. In collaboration with other relevant agencies, tax administrations should consider the establishment of regional intelligence working groups, similar to the North Sea Fisheries Intelligence Group established in 2012, to identify greater opportunities for sharing intelligence to combat tax crime in the fisheries sector, and to facilitate efficient and effective exchange of information within applicable laws and regulations.

The first two Recommendations above are not limited to those countries with a significant visible fisheries sector, but also apply to countries which provide services or financial services to participants in the fisheries sector in other countries.

This report focuses on tax crime in the fisheries sector. However, it should be noted that many of the factors that make this sector vulnerable to tax crime also exist in other similar international commodity markets. This project did not look at tax crime in these other sectors, but it is likely that a similar picture exists. Countries should therefore consider applying similar strategies to those recommended above, to identify and combat tax crime in these other areas.

NOTES

1. FAO (2012), *Yearbook: Fisheries and Aquaculture Statistics 2010*.
2. www.oecd.org/tad/fisheries/38485612.pdf.
3. FAO (2012), *Strategy for Fisheries, Aquaculture and Climate Change*
4. UNODC (2011), *Transnational Organised Crime in the Fisheries Sector*

INTRODUCTION

Background

The fisheries sector is a large and thriving industry within the global economy, with strategic importance for many developed and developing countries. In 2010, fishing and aquaculture (the farming of fish and other marine animals and plants) provided approximately 149 million tonnes of fish, with a total value of USD 217.5 billion.¹ Of this, 128 million tonnes was utilised as food for people. Developing countries are a major contributor to this market, providing over 50% of total fish exports, with net earnings of foreign exchange from fish trade contributing more than meat, tea, bananas and coffee combined.² Around 58% of fish consumed in the European Union (EU) come from non-EU waters, mainly from developing countries.³ In 2009 the Food and Agriculture Organization of the United Nations (FAO) estimated that over 500 million people in developing countries depend, directly or indirectly, on fisheries and aquaculture for their livelihoods.⁴ The size of the sector is expected to continue to grow, with aquaculture the world's fastest growing food production system at a rate of 7% per annum and now providing over 50% of the global supply of fisheries products for direct human consumption.⁵

Box 1: The Fisheries Sector⁶

Size of world fishing fleet:	4.4 million vessels (3.2 million in marine waters)
Total fisheries production:	149 million tonnes
Captured:	90 million tonnes
Aquaculture:	59 million tonnes
Total fisheries exports:	
Percentage of total fisheries production:	38%
Value:	USD 109 billion
Fisheries exports from developing countries as a percentage of total world exports (by value):	50%
Fisheries imports to developing countries as a percentage of total world imports (by value):	24%
Value to developing countries of net exports:	USD 28 billion

In 2011, the **UN Office on Drugs and Crime (UNODC)** released an issue paper on *Transnational Organized Crime in the Fishing Industry*,⁷ which focused in particular on trafficking in persons, smuggling of migrants and illicit drugs trafficking. That study identified a number of vulnerabilities of the fishing industry to transnational organized crime and other forms of criminal activity. The main vulnerabilities identified in the UNODC paper are set out in the box below.

Box 2: Main vulnerabilities of the fishing industry to transnational organized crime and other forms of criminal activity, identified by the UNODC⁸

1. The global reach of fishing vessels, easy access to surplus fishing vessels due to fishing quota restrictions, the legitimate presence of fishing vessels at sea, and the distribution network for fish and fish products create opportunity and legitimate cover for criminal activities.
2. There is a general lack of governance and rule of law in the fishing industry, in particular there is
 - a) lack of at-sea surveillance of vessel movements and transshipments. Compared to merchant vessels there is no comprehensive and transparent system of fishing vessel tracking or monitoring of their interaction with other vessels at sea;
 - b) a lack of transparency of the identity of the beneficial ownership of fishing vessels and a lack of international records of fishing vessels' identity and history;
 - c) a lack of ability or willingness of some flag states to enforce their criminal law jurisdiction; and
 - d) a lack of international endorsement of existing international regulation of the safety of fishing vessels and working conditions of fishers at sea to bring these instruments into force and ensure compliance in port in the same manner as Port State Control (PSC) of merchant vessels.
3. Quota restrictions and declining fish stocks in many regions of the world have led to destitute fishers and fishing communities are deprived of their livelihoods and of an important food source. The socio-economic conditions generated by overfishing may make fishers and fishing communities vulnerable to recruitment into criminal activities.

The TFTP and the report *Evading the Net: Tax Crime in the Fisheries Sector*

The **OECD Task Force on Tax Crimes and Other Crimes (TFTP)** is mandated to improve co-operation between tax and law enforcement authorities, to improve the ability of tax administrations to identify, audit, investigate and disrupt tax crime and other serious crime, and to raise global awareness of the links between tax crime and other serious crimes. The global spread of the fisheries sector, the general lack of governance and transparency and the unwillingness of some flag states to enforce their criminal law jurisdiction, identified by the UNODC, raised concern among the TFTP that the fisheries sector may also be vulnerable to serious tax offences. In particular, a lack of transparency and access to beneficial ownership information is seen as a major indicator that tax crime and related offences may be present. In the case of the fisheries sector, this lack of transparency is facilitated by use of companies in offshore jurisdictions and registry of fishing vessels under flags of convenience in countries other than those of their owners.

In 2012 the TFTC formed a project team, led by **Norway** and including specialists from **Canada, Chile, Denmark, Iceland, Japan, the Netherlands, Norway, Portugal, the United Kingdom** and **the United States**, to conduct work to identify evidence of tax crime activity in the fisheries sector, gather information on current strategies adopted by countries to prevent, detect and investigate these offences, and develop recommendations to countries on how to combat such offences. It should be made clear that in commencing this work, the TFTC does not intend to suggest that all participants in the fisheries sector are involved in tax offences or other criminal activity, and it is acknowledged that the sector contains many companies and individuals that are fully compliant with all of their obligations in the countries in which they operate. However, certain characteristics of the fisheries sector have introduced vulnerabilities to criminal activity, and these should be explored and understood.

The project team collected information through surveys which were sent to countries participating in the TFTC, concerning the experience of tax crime in the fisheries sector in these countries, risks and vulnerabilities that had been identified to facilitate tax crime in this sector, strategies that had been adopted to combat these offences, obstacles to achieving compliance, and case studies based on real investigations. The project team also conducted a literature review of other work in this area and held discussions with a number of experts from countries participating in the project.

This report on *Evading the Net: Tax Crime in the Fisheries Sector* is aimed at tax administrations in all countries, as well as key partner organizations such as customs administrations, fisheries agencies and inspectorates, coastguards and law enforcement authorities. The objectives of the report are:

- to raise awareness among government officials, including tax policy makers, tax examiners and auditors and tax crime investigators, of the problem of tax crime in the fisheries sector, including offences with respect to taxes on profit or earnings, customs duties, VAT, and social security;
- to identify techniques available to tax administrations to prevent, detect and investigate these crimes, with examples taken from current country experience; and
- to make recommendations as to steps countries might take to combat more effectively tax crime in the fisheries sector through unilateral and multilateral actions.

The report commences with a brief discussion of the value chain in the fisheries sector, from the initial preparation and setting to sea by the fishing vessel, through catching the fish, landing the catch, processing the catch, and transporting and exporting fish and fish products to the final market. This is to increase awareness of the different stages involved in the sector, and provide a structure for subsequent analysis of where risks might arise, as well as where important information and documentation may be gathered.

The report analyses country experiences of tax crime in the fisheries sector. This looks at different strategies that have been used by criminals seeking to evade tax, including those which are to some extent specific to the sector, such as disguising the

origin of fish, under-declaration of catch and incorrect descriptions of the fish or products caught or sold, and also those which are seen in many different sectors, such as missing sales and re-invoicing and missing trader fraud.

Following these descriptions of tax offences, the report then looks at a number of features of the fisheries sector that makes it vulnerable to these crimes, including the use of offshore companies and flags of convenience to hide beneficial ownership information, opportunities to falsify books and records to disguise information and opportunities arising through the resale of fishing vessels and assets. The final substantive chapter considers approaches available to tax administrations in fighting tax crime in the fisheries sector, focusing on strategies to raise awareness, intelligence gathering including the use of vessel tracking systems, tax examination and audit techniques, inter-agency co-operation and international co-operation through exchange of information and multilateral tax compliance actions.

The annex to the report includes an outline of basic documentation that is produced at each stage of the value chain and which may be used by tax examiners, tax auditors, tax crime investigators and other government officials in their work.

Conclusions and recommendations

The work of the TFTC in preparing this report on *Evading the Net: Tax Crime in the Fisheries Sector* has found that there are widespread vulnerabilities to tax crime in the fisheries sector, including frauds on taxes on profit or earnings, customs duties, VAT and social security. Taken across all areas of tax, the tax revenue lost to activity in this sector is likely to be significant. The effect of this tax loss on developing countries may be particularly great, impacting efforts to promote food security, reduce poverty and finance long term development.

This report makes the following recommendations.

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 - improve detection and counter-measures to combat tax crime in the fisheries sector through a whole of government approach, building co-operation with key partner agencies including, inter alia, the customs administration, fisheries

authority and inspectorate, coastguard, police and other law enforcement authorities; and

- promote international co-operation, including exchange of information, with overseas tax administrations in combating tax crime and, where appropriate and permitted, the sharing of information received from overseas concerning serious non-tax offences with the relevant government authority or law enforcement authority.
3. In collaboration with other relevant agencies, tax administrations should consider the establishment of regional intelligence working groups, similar to the North Sea Fisheries Intelligence Group established in 2012, to identify greater opportunities for sharing intelligence to combat tax crime in the fisheries sector, and to facilitate efficient and effective exchange of information within applicable laws and regulations.

The first two Recommendations above are not limited to those countries with a significant visible fisheries sector, but also apply to countries which provide services or financial services to participants in the fisheries sector in other countries.

Other related work

OECD

Financial crime is one of the greatest threats to the economic and social well-being of people living in all countries. Illicit financial activities are a global problem demanding a global response. In order to address these issues more effectively, the OECD launched **the Oslo Dialogue on a whole of government approach to fighting tax crime and other financial crimes**, at the first international Forum on Tax and Crime, held in Oslo in March 2011. To date, the work of the TFTC under the Oslo Dialogue has focused on three main pillars – effective inter-agency co-operation between tax, regulatory and law enforcement authorities; improved international co-operation; and developing the capacity of tax crime investigators to prevent, detect and investigate financial crimes through intensive courses.

The report *Effective Inter-agency Co-operation in Fighting Tax Crimes and Other Financial Crimes* (the Rome Report) is an in-depth study of models in different countries for sharing information between the tax administration, customs administration, law enforcement authorities and public prosecutors, the Financial Intelligence Unit (FIU) and financial regulators. It considers mechanisms for enhanced co-operation, such as joint investigations, multi-agency intelligence centres and secondments and co-location of officials, identifies a number of successful practices and makes recommendations for improvements. The second edition of the Rome Report, launched in November 2013, contains information on 48 countries including a number of developing countries.

The OECD publication, *International Co-operation Against Tax Crimes and Other Financial Crimes: A Catalogue of the Main Instruments* contains details and descriptions of international co-operation instruments for use in the areas of tax, anti-money laundering, anti-corruption, and regulation and supervision, as well as other instruments for mutual legal assistance. The catalogue is a valuable tool for improving the

understanding and use of mechanisms for international co-operation, and will form the basis for future work in this area.

The **OECD Capacity Building Programme for Tax Crime Investigators** is a unique programme developed to help countries to detect and investigate financial crimes, and recover the proceeds of those crimes, by developing the skills of tax crime investigators through intensive training courses. These courses are delivered at the *Guardia di Finanza Scuola di Polizia Tributaria*, a modern training centre outside Rome, by an international faculty of experienced senior tax crime investigators and financial crime specialists. The programme commenced in April 2013 with a pilot for a four-week foundation-level course on *Conducting Financial Investigations*, which was attended by 33 participants from 23 developed and developing countries. Future events will include specialist courses, including a planned intermediate-level course on *Combating Tax Crime in the Fisheries Sector*.

The **OECD Fisheries Committee** promotes well-managed, efficient and resilient fisheries and aquaculture that contribute to healthy ecosystems, while supporting sustainable livelihoods and communities, as well as to contribute to responsible trade and consumption. Its activities include the collection, assessment and dissemination of national and international fisheries statistics and policy analysis; monitoring of current and emerging global trends, issues and policy developments relevant to the fisheries sector; and the development and dissemination of policy advice, recommendations and best practice to help inform OECD members and non-members regarding domestic and international fisheries issues.

Other organisations

The **UNODC** issue paper *Transnational Organized Crime in the Fishing Industry* contains a thorough analysis of vulnerabilities of the fisheries sector to a range of criminal activities. Although focused mainly on the trafficking in humans, smuggling of migrants and illicit drugs trafficking, the UNODC found links to other crime, including environmental crime, corruption and piracy.

The **Food and Agriculture Organization of the United Nations (FAO)** plays an important international role in the fisheries sector. Within the FAO, the **Fisheries and Aquaculture Department (FAD)** has as its mission to ‘strengthen global governance and the managerial and technical capacities of members and to lead consensus-building towards improved conservation and utilization of aquatic resources’⁹. In 2001, the FAO implemented an *International Plan of Action to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing*¹⁰ supported by technical guidelines to give advice and promote the creation of national plans of action by individual countries.

Project Scale¹¹ is an **INTERPOL** initiative to detect, suppress and combat fisheries crime, and is a key part of its work in Environmental Compliance and Enforcement. Project Scale was launched at the first INTERPOL International Fisheries Enforcement Conference in February 2013, which was followed by the first meeting of the permanent Fisheries Crime Working Group. The aims of Project Scale are to raise awareness of fisheries crime and its consequences, establish National Environmental Security Task Forces (NESTs) to ensure institutionalised co-operation between national agencies and international partners, assess the needs of vulnerable countries to effectively combat

fisheries crime and conduct operations to suppress crime, disrupt trafficking routes and ensure the enforcement of national legislation.

Within the **European Union**, Council Regulation (EC) No.1005/2008 establishes a system to prevent, deter and eliminate illegal, unreported and unregulated fishing. This Regulation aims to ensure that no illegally caught products enter the EU market. It aims to achieve this through a catch certification scheme for the full traceability of all marine fishery products traded from and into the EU. It also introduces an EU alert system to detect illegal practices, the vessels involved, and any non-cooperating third countries.

The **North Sea Fisheries Intelligence Group (NS-FIG)** was established by Denmark, Iceland, the Netherlands, Norway and the United Kingdom in 2012 to encourage and facilitate the sharing of intelligence between tax administrations and other governmental bodies in participating countries, to combat tax crime and other crime in the fisheries sector. Other countries have subsequently indicated an interest in participating in the Group's future meetings and operations.

NOTES

1. FAO (2012), *Yearbook: Fisheries and Aquaculture Statistics 2010*.
2. www.oecd.org/tad/fisheries/38485612.pdf.
3. N. K. Gitonga; Challenges faced by developing countries and practical approaches to achieve fish safety and quality to be able to compete in the liberalized global market available at www.oecd.org/agriculture/fisheries/38485612.pdf.
4. FAO (2012), *Strategy for Fisheries, Aquaculture and Climate Change*.
5. FAO (2012) *Yearbook: Fisheries and Aquaculture Statistics 2010*.
6. Information taken from FAO (2012), *Yearbook: Fisheries and Aquaculture Statistics 2010*.
7. UNODC (2011), *Transnational Organised Crime in the Fisheries Sector*.
8. Ibid, 4-5.
9. www.fao.org/fishery/about/en.
10. www.fao.org/fishery/topic/3195/en.
11. www.interpol.int/Crime-areas/Environmental-crime/Projects/Project-Scale.

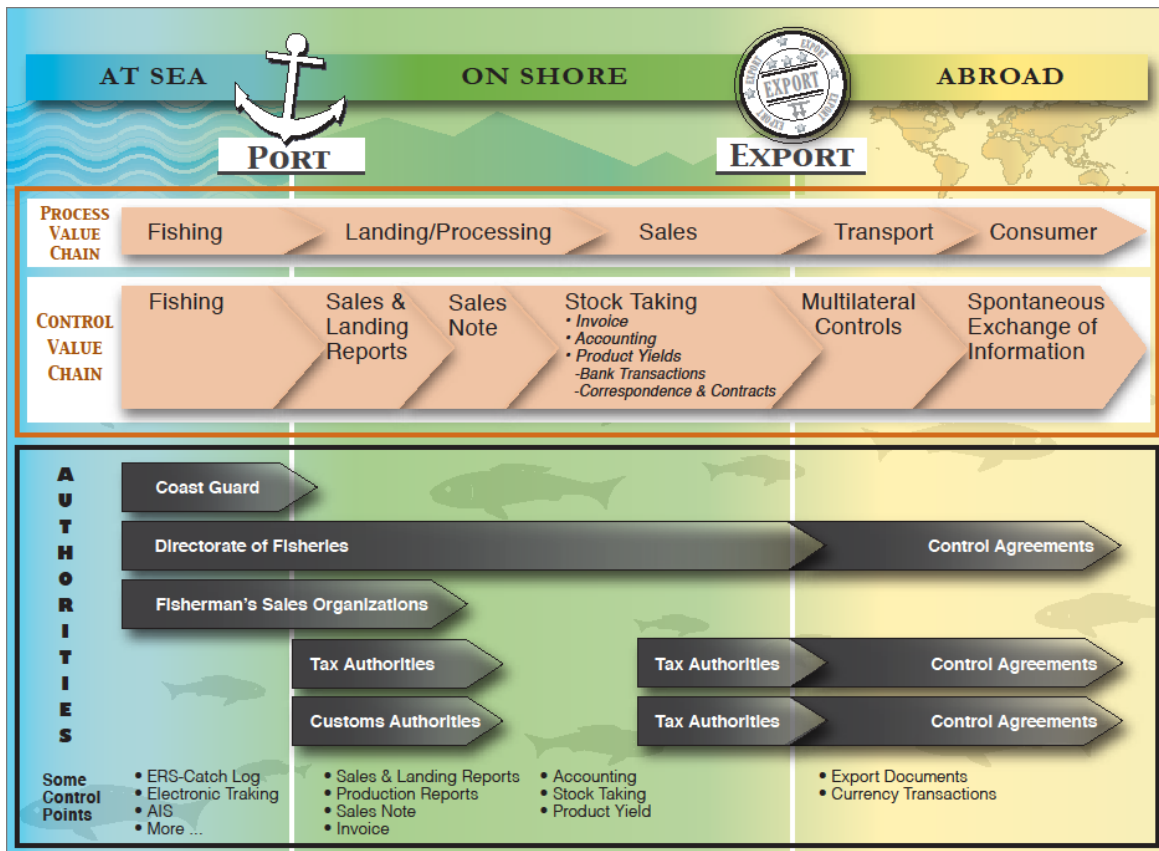
HOW THE FISHERIES SECTOR WORKS

This chapter contains a descriptive analysis of how the business of catching and trading fish is carried out. Each of the stages in the business process is described as well as the various participants, both individuals and companies, which are involved. The description is based on observation of the actual processes in use and draws significantly on work carried out by the Norwegian Directorate of Fisheries. A good understanding of the value chain and the processes and the roles of participants at the various stages will help tax examiners and auditors and tax crime investigators to better focus their compliance efforts and can be of significant benefit in the joint working of compliance officers from different agencies.

The value chain in the fisheries sector

The need to get fish and fish products to market before they spoil has resulted in the use of efficient and sophisticated processes and technologies.

Figure 1. Fisheries sector value chain



The value chain of the fisheries sector typically contains the following stages:

- preparing and setting to sea by the fishing vessel;
- catching the fish;
- landing the catch;
- processing the catch;
- transporting and exporting of fish and fish products; and
- selling of fish and fish products to consumers.

The illustration below shows some of the government authorities that are involved and the controls that are in place as fish and fish products pass through this value chain.

Preparing and setting to sea by the fishing vessel

At the start of the value chain, a fishing company (or entrepreneur) acquires a vessel and obtains a license from a national fishing authority to fish in specified waters and for a specific quota of specified types of fish. Many of these vessels are very large and can be looked upon as effectively floating factories, involving large capital investment, sophisticated technology and equipment and highly skilled operators. Even second-hand vessels can cost millions of dollars. The fishing vessel will be registered with a national shipping register, but this may be in a different country to where the fishing company is located or even that which granted the licence to fish. This separation of the vessel's ownership, registration and licensing, the ease of use of flag states and the ability to change the name of a vessel means it is often difficult to establish the true beneficial owner of a particular fishing vessel. It may even be the case that a single fishing vessel has two identities – one of which is used for legal fishing activities and the other for illegal, unreported and unregulated fishing.

In addition to registering the vessel and obtaining a licence to fish, the fishing company will also recruit a captain and a crew and equip the ship for setting to sea to fish. The captain is a vital part of the value chain, with significant authority over what takes place onboard the fishing vessel while at sea. In contrast, the fishing company will also employ a number of onshore administrative staff, who could be located almost anywhere in the world. In many cases these staff will not be aware of the full extent of the fishing company's operations.

Catching the fish

Once set out to fish, the vessel will sail to the fishing areas and make a catch. During the course of a single trip a vessel may move around and make several catches in different areas. Each catch should be recorded and reported to the fishing authority. The catch is sorted by the crew and packed in regular size boxes which have an assumed standard capacity for the particular vessel.

At this stage the catch may also be frozen until the vessel returns to port. Alternatively, in some cases the fishing vessel does not itself return to port to land the

catch, but “tranships” the catch to another vessel. These large transshipment vessels may have their own processing facilities onboard to process the catch on open water, or may transport the catch to countries where it can be processed more cheaply. This means that part of the overall catch from the fishing vessel may never be reported to the Fisheries Authority and tax administration in its residence jurisdiction.

Responsibility for monitoring, control and surveillance of vessels at-sea usually belong to the coastguard and the Fisheries Authority. For compliance purposes, these law enforcement authorities require fishers to maintain documentary evidence of a vessel’s activities, such as catch logs, electronic tracking papers and crew manifests. While a fishing vessel is at sea it may be inspected by the coastguard or Fisheries Inspector and inspection reports would be created. The procedure for carrying out these checks is well organised and fishing activity can continue without disruption. Officials inspect the vessel’s documentation, the net used, the species caught and the quantity of fish stored in the freezer and in boxes. Where they suspect possible irregularities, they can bring the vessel to shore for a detailed inspection.

Landing the catch

The vessel will land the catch at a port, which should be a licensed port, where the nature and value of the catch is declared and reported. In some cases the license to fish will specify the port where the catch should be landed, while in other cases a broker will be used to determine where the catch should be landed in order to achieve the best price. Some landing facilities may have a close relationship with the fishing vessel, perhaps through joint ownership, which may create opportunities for the value of the catch landed to be misreported. Alternatively, fishing companies may seek to evade taxes and customs duties by bringing the catch to an unregistered landing site.

The catch may have been sold while the vessel is still at sea, or else through auction after landing. The auction may be handled by a Fish Producers Organisation, and this helps to ensure that the crew get a share of the real value of the catch. At this stage of the value chain, many accounting records are created, including sales and landing reports, production reports, sales notes, invoices, stocktaking records and production yield reports. A new tracing system incorporating some of this information will allow fish products to be monitored from the vessel to the retailer. The Fisheries Inspector may physically inspect the catch to ensure the accuracy of records, though logistically this can only be done for a small percentage of catches selected based on a risk assessment by the Fisheries Authority.

The captain will take payment for the catch, which is still often in cash despite the large amounts involved, and will pay the crew and re-equip the vessel for its next voyage. It is also customary for the ship’s captain to hold large sums of cash to enable him to deal with any eventualities that may occur at sea. The sale and the re-provisioning of the vessel may be managed by an agent who takes a fee. These agents have local knowledge to help the companies with most of their needs, including repair and maintenance of the vessel and financing the large amounts of cash required to pay the crew. On the other hand, in some cases these agents may be intermediaries in illegal transactions, by facilitating bribes or laundering the proceeds of tax evasion and other crime. These agents are often described using a number of terms, such as importer or maintenance supplier, to hide their role as intermediary.

Processing the catch

Processing of the catch may be carried out at sea, at the port or the fish may be transported for processing at production plants elsewhere, including in other countries. Processing activities typically comprise two stages – primary processing, which includes cleaning and filleting of the fish, and secondary processing, which includes the manufacturing of fish products. In some cases tertiary or value-added processing may be conducted, for example in the manufacturing of microwaveable meals. Following processing, fish and fish products are then transported for further processing or sale. The processing stage of the value chain can result in the development of new fish products and the creation of valuable intangible assets.

Controls at the processing stage include detailed checks carried out by the Fisheries Inspector. Products held at the production facilities are audited, and the quantity and species of fish acquired by the processing company is compared with onward sales. It is not uncommon to find that the records of onward sales are accurate but purchase records show discrepancies, thus pinpointing the underreporting of the original catch. Controls applied at the processing stage are generally more effective than those applied when the catch is landed.

Transporting and exporting

There are often significant distances between the places where fish are caught, landed, processed and sold, and processing may involve a number of stages at different sites. Transport between all these sites, which may be in different countries, makes control and monitoring of the flow of goods even more difficult. This creates a range of risks, from food safety to tax compliance.

Transporting of fish and fish products by sea or land (or exceptionally by air) by third party transport companies will create a further document trail, detailing the weight and content of loads. This is particularly the case in the export of fish and fish products, which requires export documents and often records of currency transactions. Following processing, initial export may be to a hub port which acts as a transshipment point. Export contracts will vary in terms of the point at which ownership in fish and fish products is transferred, and this will impact which party is responsible for maintaining records and complying with export/import regulations.

Aquaculture

Aquaculture involves the farming of fish for food production. The main difference in the value chain for aquaculture compared with traditional fishing is in the harvesting of the fish, which includes stunning, bleeding and gutting. The volume and quality of fish harvested and processed is monitored and documented to high standards required by most national authorities and by the market itself. Government authorities inspect the health and growing conditions for the fish, as do agents acting on behalf of buyers. The documentation produced as a result of these controls is extensive.

The relevance of the value chain to a tax examiner or auditor

Many of the documents that regulators and law enforcement authorities require the participants in the horizontal value chain to produce and maintain may also be important

to the tax administration when conducting a tax examination or audit. However, in many cases tax examiners and auditors are not aware of the existence of many of these participants, the documents they hold and the valuable information these contain. It is therefore important that tax administrations take steps to raise awareness of these issues among tax examiners and auditors working in this area, and that all authorities and agencies dealing with fishing companies and other participants in the horizontal value chain co-operate and share information at both a national and an international level.

TAX CRIME AND OTHER CRIME IN THE FISHERIES SECTOR

Analyses of crime in the fisheries sector typically begin with the issue of illegal, unreported and unregulated fishing. However, other serious crimes also arise in the fisheries sector and it is important that government authorities including the tax administration are aware of these. In some cases, wider criminal activity arises as a result of the same vulnerabilities that enable illegal, unreported and unregulated fishing to take place – such as weak governance and enforcement in certain countries where fishing vessels are registered, the difficulty in identifying the beneficial owners of fishing companies and vessels, and logistical issues in tracking the activities of vessels at sea. In other cases the existence of illegal, unreported and unregulated fishing itself directly gives rise to further offences, as illegal fishers seek to evade taxes and launder the proceeds of their crimes.

The main duty of the tax administration is the enforcement of tax legislation in its jurisdiction. Therefore, the first concern of tax examiners and auditors working with the fisheries sector will be to ensure that tax is assessed and collected in accordance with the law and that any tax evasion or other tax offences are detected. However, tax examiners and auditors in many countries have an obligation or discretion to report suspicions of other serious crimes to the relevant law enforcement authority, either directly or through a specific department of the tax administration. It is therefore important that tax examiners and auditors are aware of the types of serious crime that arise in this sector, in order that they can recognise indicators that they may come across in the course of their work.

This chapter considers country experiences of tax crime in the fisheries sector. It looks at different strategies that have been used by criminals seeking to evade tax, including those which are to some extent specific to the sector, such as disguising the origin of fish, under-declaration of catch and incorrect descriptions of the fish or products caught or sold, and also those which are seen in many different sectors, such as missing sales and re-invoicing and missing trader fraud. The analysis then moves on to look at a number of features of the fisheries sector that makes it vulnerable to these crimes, including the use of offshore companies and flags of convenience to hide beneficial ownership information, opportunities to falsify books and records to disguise information and opportunities arising through the resale of fishing vessels and assets. This chapter specifically considers tax crime and other crimes that have been found in the fisheries sector. While not the focus of this report, it should be noted that many of the factors that provide opportunities for criminals to operate in the fisheries sector may also exist in other international commodity markets, where high volumes of goods are caught or farmed, processed and sold in locations across different countries and continents, making the tracing of people, goods and financial flows more difficult.

Tax crime in the fisheries sector

Tax crime in the fisheries sector covers a broad range of offences, including the evasion of import and export duties on fish and fish products transported across national borders; fraudulent claims for VAT repayments; failure to account for income tax on the profits from fishing activity; and evasion of income tax and social security contributions and false claims for social security benefits by fishers and their families. Countries have reported that those involved in the fisheries sector are generally more compliant with fishing regulations and with tax laws where there is in place a robust compliance regime and in particular where there is clear co-operation between the agencies involved. Countries have identified that fishing companies commonly adopt one or more of three main methods to commit tax fraud. These are by disguising the origin of fish, under-declaring the size of a catch and incorrectly describing the species or products caught or sold. In addition to these sector specific strategies, fishing companies have also been found using many of the same illegal schemes for evading or wrongly reclaiming tax as are used by other international businesses, such as missing sales and re-invoicing, and missing trader fraud.

Disguising the origin of fish

At the point at which catches are landed at port, landing reports may be incorrectly completed to hide the fishing area where the fish were in fact caught. This may be done to disguise that the fish were illegally caught outside of the areas or quotas allowed under a vessel's fishing licence, but the method is also used to evade import duty. For example, cases have been reported where fish destined for the EU market, and landed in a country which had a trade agreement with the EU agreement, was described as having been caught in the waters of that country when it had in fact been caught elsewhere. This fraud evaded the 6% import duty that would otherwise have been charged on transshipment to the EU.

Under-declaration of catch

Failure to accurately report the true quantity of fish caught has adverse effects both from a marine resource management perspective and for the purposes of taxation. In many cases, the size of a catch is under-declared in order to hide the fact that fishing is taking place above the quota allowed by the vessel's licence to fish. However, it may also be used to evade import duties and taxes on profit, where part of the catch remains hidden from the tax administration. In these cases, fishing companies may produce two sets of records and invoices – one containing the true value of the catch and the second containing a lower amount which would be presented to the authorities. These cases are usually in relation to small or medium size catches in the range of 500 kilos but cases have been detected in catches up to 18 tonnes.

In some cases, rather than simply under-declare the catch of a single vessel, more elaborate frauds are conducted to disguise the size of a vessel's catch. An example of this is described below, where a company re-allocated catch between vessels flying the flags of different states in order to artificially stay within its quotas.

Box 3: False allocation of catch between vessels registered in different countries

Company A is based in Country X and originally fished with a fleet of six vessels registered in Country X. However, Company A's fleet was fishing at the limit of the quota they were able to catch under their Country X license.

Company A established a subsidiary, Company B, in Country Y. Company A transferred one of its fishing vessels to Company B, which re-registered the vessel in Country Y. This gave the group a combined fishing quota that was greater than Company A began with. The six vessels fished together, and landed their catches together in Country X. However, when the catch was reported to the fisheries authorities, it was allocated between the vessels owned by Company A and Company B to ensure the most efficient use of their fishing quotas, which the two countries fisheries authorities suspected did not reflect reality. For example, in 2008 54% of the total catch was allocated to Company B, even though it owned only one of the six vessels that fished together.

However, Company A and Company B also had fee arrangements in place for "technical services" so that five-sixths of the profit from the sale of landed fish was always allocated to Company A, while one-sixth was allocated to Company B. The combination of these arrangements ensured that the group could catch the maximum of fish under its quotas, but also paid less tax as more profit was allocated to Country X, which has a lower rate of corporate tax than Country Y. However, neither the allocation of catch or profit appeared to reflect reality.

Company A also established a second subsidiary, Company C, in Country Z. Company C acquired a fishing vessel registered in Country Z, but did not fish to the maximum of its quotas. Even though the vessels owned by Company A and Company C did not fish together, when vessels owned by Company A landed fish at port they declared part of the catch as being by the vessel owned by Company C. This had the effect of allowing Company A to fish beyond its quotas. In return, Company A made a payment to Company C equivalent to about 10% of the price of the fish allocated to the company. Again, this arrangement had the effect of allowing the group to take advantage of the fishing quota from Country Z, without paying Country Z taxes on the full value of the fish allocated to that vessel.

Incorrect description of species or products

As with under-declaration of catch, incorrect or inaccurate descriptions of the species caught by a fishing vessel can have substantial consequences on the marine environment. To protect species under pressure, import of certain species to many countries is highly restricted or even prohibited by law. However, the limited supply means that these species often command a premium price, which incentivises fishing companies to falsify catch certification, landing records and import documentation. From a tax perspective, the incorrect description of fish or fish products caught and sold may directly impact the rate of import duty or VAT applied, resulting in significant tax revenue loss.

Box 4: Dried cod heads

In a major case, exported dried codfish, which should have attracted import duty of 20%, was described in the accompanying paperwork as dried cod heads, upon which import duty of only 10% is payable. This case came to light following a series of joint investigations involving the Fisheries Inspectorate, the Tax Administration and the Police economic crime unit, which took place when it was found that significant payments described as ‘consultancy services’ were being made to an offshore jurisdiction. It had been expected that both illegal fishing and tax evasion would be found. Following the joint investigations, no illegal fishing was uncovered, but evidence was found of evaded import duties, VAT and other taxes in the exporting country totalling approximately USD 500 000. In the importing country the inaccurate description of the goods being imported could also have resulted in the evasion of customs duties totalling USD 2.5 million. The audit also uncovered indications of possible embezzlement of approximately USD 30 000 involving an official at the exporting company which ultimately led to a successful prosecution.

Hidden sales

The examples above concern schemes which are found primarily in the fisheries sector. However, participants in the fisheries sector are also found operating frauds similar to those seen in other industries. Tax examiners and auditors must be aware of specific features of the fisheries sector, but should not become blind to more usual types of non-compliance. Hidden or unreported sales is one of the oldest and most common forms of tax fraud which is seen in all sectors and sizes of business. As the name suggests, missing sales fraud is where part of a business’s sales are hidden from the tax administration. Businesses operating relatively simple missing sales frauds often operate two sets of books, one containing accurate sales information and the other containing reduced sales figures for submission to the tax authority. Alternatively, more complicated frauds may involve part of the sales price of goods being reclassified and paid to an offshore intermediary company, or a company’s role in buying and selling goods (and the associated profit) being hidden entirely.

Box 5: Unreported sales

Company A, a fish farming company, usually ships its farmed fish on consignment to wholesale markets through Company B, a wholesale company. However, during a routine inspection, tax officials noted that Company A in fact sold certain fishes, including those which were not suitable for market shipments and non-farm-raised fish which accidentally entered its fish farms, to a different wholesale company, Company C. Sales to Company C were being made through Company D, a subsidiary of Company A which was supposedly inactive. Sales made through Company D were not reported for tax purposes.

When examining the bank accounts of Company A, tax officials found unusual deposits which could not be reconciled to sales made to Company B. Management at Company A could not give a clear answer regarding the source of these payments, and so further enquiries were conducted, resulting in a criminal investigation. As a result, investigators discovered unreported sales through Company D totaling USD 2 million.

Box 6: Re-categorization of sales income as agency fees

Company A, a fishing company in a non-EU country, established business relations with Company B based within the EU and also a third party Broker.

Under the direction of the Broker, Company B changed the destination of payments to Company A from bank accounts in Company A's own country to bank accounts in offshore jurisdictions. Suspecting possible money laundering, Company B's bank filed a Suspicious Transaction Report with the national Financial Intelligence Unit (FIU).

The tax administration launched a tax investigation into Company B's activities. This found that part of the amount paid for fish acquired from Company A was being incorrectly identified as an "agency fee" and paid to the Broker through offshore accounts.

This information was provided spontaneously to the tax administration in the country of Company A. The tax administration in this country conducted an investigation into arrangements between Company A and the Broker, which revealed significant tax fraud.

Box 7: Unreported brokerage commission

Company A was a trading company which imported pollock and flatfish caught outside domestic territorial waters. This fish was acquired from Company B a foreign supplier. After clearing customs, Company A sold the pollock to domestic businesses. However, analysis of documents showing the results of inspections of 'bounded areas', customs officials discovered that Company A did not declare the flatfish that it acquired. Instead, Company A kept the flatfish in cold storage for later sale to Company C for export. These sales were described as taking place directly between Company B and Company C. This meant that Company A avoided reporting its brokerage commission earned from the intermediate trade.

This case was referred from the customs administration to the tax administration. The tax administration increased Company A's taxable income by an amount equal to an arm's length brokerage commission.

Re-invoicing frauds

Rather than hiding certain sales from the tax administration, re-invoicing frauds operate by reducing the value of sales. Instead of exporting fish or fish products directly to their intended customer, all of the paperwork will suggest that the fish or fish products are being sold to what is in fact an intermediary located in an offshore jurisdiction at a discount to their real value. The fish or fish products are then sold from the intermediary to the real customer for full value. The effect of the fraud is that a relatively small profit will arise in the fishing company's books, while the majority of the profit will be retained offshore in the intermediary company.

Missing trader fraud

Missing trader fraud involves a business importing goods which are zero-rated for VAT when they come into the country. The goods are then sold to a trader with the full rate of VAT applied, but this VAT is never accounted for to the relevant government authority by the importer. The trader then sells on the goods to a purchaser outside the country, and reclaims all the VAT that it paid when they were acquired. However, as the VAT was not accounted for by the importer, the government is now out of pocket. The end purchaser may be a legitimate business that knows nothing of the fraud, or can be a knowing participant. Missing trader fraud arises in a wide range of market sectors, and is something that tax examiners and auditors dealing with the fisheries sector should be aware of.

Income tax and social security fraud

Fishing vessels may be manned by crew from a range of countries, who spend weeks or months at sea on a voyage, followed by a rest period of several weeks during which time they do not work. This means in some cases, it may be difficult for a tax administration to identify when an individual is employed as crew, and to determine the amount of his income. These difficulties are particularly great where a fishing company and vessel are registered offshore, and there is little direct evidence of the person's employment. Where crew members do not declare this employment, they may be failing to pay taxes and social security contributions on this income. They may also be fraudulently claiming social security benefits, claiming to be unemployed or on a very low income. In many cases, these frauds are unsophisticated and committed by individuals who simply fail to report their employment income to the tax administration. However, in some cases fishing companies have been found to be party to tax evasion schemes concerning their employees.

Box 8: False residence certificates

A large fishing trawler was owned and registered in Country X, and was manned primarily by crew who were nationals of Country X and whose families continued to live there. However, the trawler's activities meant that it operated almost entirely outside of Country X's waters. The waters in which it fished were a long way from its home country, fish caught were processed onboard and were landed at overseas ports. The crew's wages were paid without deduction of tax into offshore bank accounts, which were accessed through credit cards held by the crew and their families. Tax officials investigating the use of the credit cards made enquiries into the tax status of the crew, and were provided with residence certificates which appeared to have been issued by the tax authority in a developing country. However, on further examination it was revealed that the ship had spent only a few hours at port in that country, the crew had never left the port and had no connections to the country. The tax administration in Country X commenced proceedings to recover unpaid taxes and social security contributions. This case also raises a question of possible corruption surrounding the issuance of false residence certificates.

Specific vulnerabilities to tax crime in the fisheries sector

This section looks at a number of vulnerabilities in the fisheries sector that have been observed by tax administrations and other government authorities as enabling tax crime to be committed more readily and perpetrators to escape detection. As stated earlier in this chapter, these are not entirely unique to the fisheries sector and may also be found in other similar commodity sectors.

Offshore jurisdictions

The fisheries sector is a truly global business, with owners, fishing companies, customers and other participants in the value chain spread across the world. Fish are caught in open waters and shipped or transhipped to be landed and processed in a wide range of countries, with substantial sums paid to intermediaries, agents and service providers in other countries who co-ordinate the sale and processing of fish and maintenance of fishing vessels. This global reach can make it easier for fishing companies to hide their ownership structure, shelter income or disguise the destination of funds through the use of entities located in offshore jurisdictions which do not engage in effective exchange of information. This may be to conceal illegal fishing, to facilitate tax crime and other offences, or to disguise the destination of payments.

Box 9: Norway's experience

The complexity of payments adds to difficulties in carrying out audits and investigations. The Norwegian customs agency in co-operation with other Norwegian authorities has carried out a series of studies to help identify suspicious transactions for tax risk assessment. This involved the comparison of data on the export of fish with data on currency transactions into Norway. This identified a number of cases where fish were exported to one country but the payment was received from a different one. Further enquiries revealed evidence of suspicious payments described as “commission fees” being made to entities located in offshore jurisdictions. Authorities in Norway have subsequently estimated that, over a six-year period, payments totalling several hundred million Euro were paid by Norwegian shipping companies to entities or accounts in offshore jurisdictions, much of which cannot be traced.

The use of flags of convenience

One of the most prevalent tactics utilized by those engaged in all types of crime in the fisheries sector is the flying of a flag of convenience, which involves registration of a fishing vessel in a jurisdiction that is different to that of its owner. Owners may register vessels in open registries (which accept registrations of ships owned by foreign entities) to avoid compliance with more robust and heavily enforced regulation in their own country. This may also be combined with the use of holding companies in offshore jurisdictions which do not engage in effective exchange of information, in order for the identity of owners to remain hidden.

Falsified books and records

In all sectors, inaccurate reporting through falsified books and records is a known technique for businesses seeking to hide income, assets or transactions from the tax administration. Given the large amount of documentation produced as fish and fish products move through the value chain, tax examiners and auditors should pay attention to any inconsistencies or other indications that documents or records do not paint an accurate picture of a fishing company's business.

Box 10: Falsified books and records

Company A is a fishing company based in Country X. Company A owns a number of fishing trawlers which land large quantities of fish at ports in Country Y. All financial and logistical arrangements in Country Y, including the management of bank accounts and accounting records, are handled by the company's local Agent.

On instruction from Company A, the Agent withdrew large amounts of cash from the company's bank accounts in Country Y, to be delivered to the captains of trawlers. These withdrawals were marked 'Cash to Master' on the bank's records. The making of large cash payments to captains is common in the fisheries sector, but in this case the withdrawals were so large that the local banks had to arrange for additional cash to be flown in. Despite the size of these withdrawals, the bank did not file a Suspicious Transaction Report (STR) with the Financial Intelligence Unit (FIU) in Country Y.

A routine tax inspection initiated by the tax administration in Country Y uncovered that these cash withdrawals were not being recognised in the official accounting records for Company A which were being managed by the Agent. The tax administration in Country Y reported this fact to the tax administration on Country X, and the two tax authorities launched a simultaneous examination of the company's tax affairs. This showed that cash totalling over USD 22 million relating to tax offences in Country X had been transferred to other countries where the owner of Company A had business interests. The authorities in these countries were contacted in order to commence proceedings to freeze the owner's assets and ultimately secure the payment of taxes in Country X.

Box 11: VAT fraud

Company A, an exporter of fish products, exports sharks fin to countries in the Far East. This is zero rated for VAT. However, during a routine audit, tax officials discovered that the amount of sharks fin the company was claiming to export was considerably over-stated as it actually exceeded the entire annual catch of sharks. Tax officials also found evidence that a number of purchases made by Company A were false, and were in fact payments to intermediaries for facilitating the fraud.

Because of these facts, it was established that VAT refunds in excess of USD 3 million over two years were fraudulently claimed based on false documentation.

Resale of fishing vessels and assets

The lack of transparency in the fisheries sector, caused by the use of flags of convenience of offshore companies, means that where fishing vessels and other capital assets are re-sold, transactions may go unreported or the sale price may be under-reported for tax purposes. Given the high value of these assets, this can result in substantial amounts of tax revenue loss to countries, as tax depreciation is claimed for assets that have been sold on and the capital gains are not fully taxed.

Other serious crimes

Many of the factors discussed in this chapter, such as the global nature of the industry, lack of transparency, and weak regulation and enforcement by some countries in which vessels are registered, also contribute to making the fisheries sector vulnerable to other types of serious criminal activity. Detecting and investigating these offences is not the principle activity of the tax administration, but tax examiners and auditors should be made aware of the presence of these crimes, and indicators that they may come across in the course of their work. This will enable them to report suspicions of possible crimes to the appropriate law enforcement authority. An understanding of wider criminal activity will also assist tax examiners and auditors involved in joint operations with other government authorities and agencies, which may uncover evidence of further taxable income or non-deductible expenses related to illegal transactions.

- **Money laundering** – Money laundering within the fisheries sector may be the laundering of the proceeds of crimes committed in the course of fisheries activity, or of the proceeds of other crime. There are many stages through the value chain at which the proceeds of crime may be integrated, from the acquisition of large capital assets such as fishing vessels by offshore companies, to the salaries paid in cash to crews of vessels. Under anti-money laundering rules, financial institutions and other designated non-financial businesses are required to file suspicious transaction reports with their national Financial Intelligence Unit (FIU) where they suspect that a client or customer is engaged in laundering the proceeds of a predicate offence. Illegal, unreported and unregulated fishing is not specifically a designated category of predicate offence under the Financial Action Task Force (FATF) Recommendations (which set the minimum standard required to be met by countries), although aspects may fall under the category of environmental crime. However, many countries have adopted an approach whereby all serious crimes are considered predicate offences to money laundering, which could include illegal fishing. All of the other categories of crimes in this list are specifically designated categories of predicate offence by the FATF. Tax examiners and auditors have an important role to play in detecting and reporting suspicions of possible money laundering. Tax administrations are encouraged to provide their officials with access to the OECD *Money Laundering Awareness Handbook for Tax Examiners and Tax Auditors*, which is a useful tool to raise awareness of issues associated with money laundering and indicators that tax examiners and auditors may encounter in the course of their work. The Handbook is available on the OECD website at www.oecd.org/ctp/crime/money-laundering-awareness-handbook.htm.
- **Corruption** – The fisheries sector is an international and highly regulated industry and, like all such industries, is vulnerable to corruption where companies seek favourable treatment in the issuing of licences and quotas or seek to have breaches of existing

licences ignored by the relevant authority. In 2013, the OECD released its new *Bribery and Corruption Awareness Handbook for Tax Examiners and Tax Auditors*, which replaces the previous *Bribery Awareness Handbook for Tax Examiners*. The new handbook considers a wider range of forms of corruption than was covered by the earlier version, outlines the role of the tax administration and tax examiners and auditors in fighting corruption, and gives examples of indicators of possible corruption that tax officials may come across in their work, supported by real life examples. The Handbook is available on the OECD website at www.oecd.org/tax/crime/bribery-corruption-awareness-handbook.htm.

- **Smuggling** – Fishing vessels, as part of their normal business, often visit a number of fishing areas and ports in the course of a voyage. They are equipped to carry large volumes of fish in cold storage and boxes which, depending on the price offered in different countries, may be landed at a port that is not identified when the vessel originally sets out. Therefore, compared with other commercial vessels, fishing vessels have routes which are more variable based on changing decisions as to the fishing areas and ports to be visited. Also, Fisheries Inspectors are only able to physically check a very small percentage of catches landed at ports, and typically rely on detailed documentation and a risk based approach to identify ships which should be checked. Taken together, this means that fishing vessels are often seen as a suitable vehicle for all types of smuggling and illicit trade. This might be smuggling to evade duties on illegal tobacco and alcohol, or trafficking in illicit products such as narcotics and arms.
- **Human smuggling and human trafficking** – Human smuggling involves the transport of individuals to evade immigration regulations. Fishing vessels may visit a number of ports in developing and developed countries in the course of regular activity, and may be used to smuggle people in return for payment. Fishing vessels may also be used in human trafficking, which involves the exploitation of individuals, who are kept as virtual slaves onboard ship, working long hours and living in poor conditions and subject to physical abuse. The people who are illegally transported on fishing vessels are often the most vulnerable who are seeking to escape poverty or oppression in their own country. In some cases, these individuals may join a vessel's crew as willing participants in human smuggling, but become victims of trafficking once they leave port. If they do eventually arrive at their intended destination, the individuals may then find themselves subject to ongoing exploitation and abuse. They may be held as 'debt slaves' until the very high price of their transport to their new country has been paid off or be forced to become unwilling participants in tax and social security fraud, where their identities are stolen and benefits intended for immigrants and refugees are kept by the traffickers.
- **Piracy** – Piracy involves illegal attacks and hijacking of vessels and the theft of assets and property, and threats, violence or kidnapping of passengers or crew. Piracy is not a crime associated with commercial fishing vessels, though these can be the victims of piracy attacks. However, illegal, unreported and unregulated fishing may be one factor that has driven local fishers in countries such as Somalia to adopt piracy as a means to compensate for the loss of their income from fishing.

COMBATting TAX CRIME IN THE FISHERIES SECTOR

Tax crime in the fisheries sector covers a wide range of offences, including the evasion of tax on income, VAT and customs duty and social security fraud. These include offences which may be found in most industries, as well as those which exist because of specific features of the fisheries sector (though these may also be found in similar commodity based businesses). This chapter considers a range of government responses that have been used to prevent, detect and investigate tax crime in the fisheries sector. The responses covered are:

- programmes to raise awareness;
- intelligence gathering;
- tax examinations and audits;
- inter-agency co-operation; and
- international co-operation.

Raising awareness

Raising awareness of the impact of tax crime and the fact that the tax administration is taking steps to combat the problem, can be a powerful tool, both to deter individuals and companies from engaging in criminal activities, and to enable the gathering of intelligence to combat offences that do occur. Campaigns to raise awareness can be focussed on particular groups of taxpayers (such as fishing companies, brokers or importers) or target the general population.

Compliance strategies focussed on key stakeholders, including industry groups and taxpayers, promote an understanding of the legal obligations on companies and the possible civil law and criminal law consequences of non-compliance. Voluntary disclosure regimes may provide an opportunity for companies to disclose previous non-compliance, and pay any unpaid taxes or duties, while avoiding further penalties and possible imprisonment of responsible individuals.

Campaigns to raise general awareness provide information on the harm to the economy, society and the marine environment from tax crime and other crime in the fisheries sector, as well as details of successful prosecutions and (where appropriate) other strategies to target tax evaders. This can have an important impact in areas where crimes such as tax fraud are regarded as harmless or socially acceptable. These campaigns may be run directly by the tax administration, or jointly with other government authorities and NGOs. The tax administration may also take advantage of the national media as a vehicle for raising awareness, through press releases and announcements concerning high profile cases.

These strategies can act as a direct deterrent to those who may be tempted to participate in a tax evasion scheme, by highlighting the potential consequences of their actions to them personally. They can place pressure on fishing companies and other participants in the value chain to be more compliant, as consumers increasingly demand that food and other products are sourced from ethical companies which comply with the law in countries where they operate. They can also result in valuable information being provided to the tax administration by informers who disagree with the actions of tax evaders. Therefore a campaign to raise awareness should also include details of the tax administration's informant programme, where one exists, explaining how members of the public can report their own suspicions or evidence of tax offences.

Intelligence gathering

A key element for all tax administrations in combating tax crime in the fisheries sector is the quality of the intelligence gathered to focus compliance actions, plan audits and detect and investigate tax crimes. Intelligence should be gathered from as wide a range of sources as possible, including shipping registers, licensing authorities, company searches, the internet and public resources, financial institutions, and domestic and overseas government authorities and regulators. Important information includes that concerning the ownership, control and movements of fishing vessels, but the ultimate aim of effective intelligence gathering is to build an accurate picture of participants and activities throughout the value chain, in order to allow an effective risk analysis which can in turn form the basis for unilateral or multilateral actions.

Vessel tracking systems

Monitoring, Control and Surveillance, as applied by the Food and Agriculture Organisation of the United Nations (FAO), is an important tool for establishing effective fisheries regulation, ensuring compliance with fishing and environmental laws, and combating illegal, unreported and unregulated fishing. A key component of the surveillance stage is the use of Vessel Monitoring Systems (VMS), which use Global Positioning System (GPS) technology to track the movements of individual vessels over time and, in some cases, record and monitor catch information. VMS information is automatically transmitted to the Fisheries Monitoring Centre in the vessel's home country, but broad international agreements provide that where a vessel passes into the waters of another country, all information must also be forwarded to the Fisheries Monitoring Centre in that country. While not removing the need for traditional surveillance techniques, such as surface and aerial patrols, on-board observers, logbooks and dockside interviews, VMS provides up to date and reliable data that can be used to support other fisheries management tools. Many countries operate VMS using standard software packages, and there are also regional systems operating in the Antarctic, Europe, Northeast Atlantic, Northwest Atlantic, Pacific Islands, Southern Africa and West Africa.

VMS is principally used for the purposes of fisheries regulation, but provides important information that may be used by tax administrations for the purpose of gaining information on the route and catch activity of individual vessels.

Other systems, such as the Automatic Identification System (AIS), Vessel Traffic Services (VTS) and the Global Maritime Distress and Safety System (GMDSS) are principally used for marine traffic safety, enabling captains, navigators, harbourmasters

and government authorities to track the position of vessels. These may also be used by the tax administration and law enforcement to obtain real-time information on the location, direction, speed and the last port visited of vessels anywhere in the world.

Tax examination and audit

The tax examination and audit are a tax administration's primary tools for gathering information about a taxpayer, their business and transactions. When conducting an examination or audit, examiners and auditors will seek to gather all supporting document relating to a business activity or transaction, and build a thorough understanding of the money trail.

The fisheries sector is complex and, as fish and fish products move through the value chain, they will pass through many stages, often in different countries. However, at most stages of this chain, detailed documentation requirements will apply to ensure that key facts are recorded, providing a valuable source of information for tax examiners and auditors. The annex to this report contains an outline of some documents that may be obtained by the tax administration from the taxpayer or directly from other authorities.

Following the money in order to understand the motivation and tax implications of a transaction is fundamental. However, in the fisheries sector, a range of factors may complicate this. The use of offshore companies and registration of vessels under flags of convenience means that the beneficial ownership of companies, vessels and assets is often unclear. Transactions at ports often take place in cash, which means there may be breaks in electronic records of money flows. In addition, transactions and money may pass through countries where tax authorities and other government bodies have limited resources to obtain and hold financial information, or do not currently participate in effective exchange of information in tax matters. These difficulties make it even more important that, to the extent information is available, tax administrations and other authorities engage in full and effective co-operation, both domestically and internationally.

Financial institutions, including banks and insurance companies, are an important source of information regarding a fishing company, its ownership and its financial transactions. The fisheries sector, both in terms of fishing activity and aquaculture, is capital intensive and a number of banks and financial institutions are likely to be providing finance. Each of these banks will undertake its own customer due diligence to understand who it is dealing with, manage its risk and comply with regulatory requirements such as national anti-money laundering legislation. Insurance companies underwriting fishing vessels, equipment or catch will also be keen to understand precisely the risks that they are taking, including the ultimate beneficial owner of the insured assets. Although financial institutions may apply secrecy rules that make accessing information difficult, the information they hold is extremely valuable and tax examiners and auditors may seek to obtain access in order to gain a full understanding of a fishing company's activities. If required for tax purposes, and where a suitable tax treaty or Tax Information Exchange Agreement exists, this information may also be requested from an overseas tax administration. Under the internationally agreed standard on transparency and exchange of information in tax matters,¹ countries should ensure that ownership and identity information for all entities and arrangements is available to their tax administration, and banking information should be available for all account holders.

Where a tax administration requests this information for tax purposes, the authorities in the country where the information is held must have the power to obtain and exchange the information in a timely manner. There should be no restrictions on the exchange of information caused by bank secrecy rules or the fact that the information is not required for tax purposes in the country where the information is held.

Inter-agency co-operation

As has been seen, a large number of government authorities and agencies have a direct interest in gathering and sharing information concerning the fisheries sector, for the purposes of ensuring compliance with fisheries law and regulation, tax and customs law, and criminal law. These include, among others: the fisheries authority; the coastguard; tax, customs and social security administrations (which may be a single authority or separate agencies, depending upon the organisational model applied in a given country); the police authority; the Financial Intelligence Unit (FIU); and other specialist law enforcement authorities.

Co-operation between these agencies can take many different forms, designed to improve the efficiency and effectiveness of each agency's activities, including:

- the sharing of intelligence and information, on request or simultaneously;
- granting access to databases for officials from another agency, or the establishment of shared databases;
- joint audits or investigations, where an organisation or group is suspected of non-compliance within the mandate of more than one authority;
- the establishment of multi-agency task forces or intelligence centres, to co-ordinate the work of agencies on an ongoing basis; and
- secondments or co-location of employees, to encourage the sharing of skills and experience.

These models for co-operation can all be used to improve the prevention, detection and investigation of tax crime in the fisheries sector. Further information on the current position with respect to inter-agency co-operation between the tax administration, customs administration, police and public prosecutor, Financial Intelligence Unit (FIU) and financial regulators in a wide range of countries is included in the OECD report *Effective Inter-Agency Co-operation in Fighting Tax Crimes and Other Crimes*, which is available on the OECD website at www.oecd.org/ctp/crime/effectiveinter-agencyco-operationinfightingtaxcrimesandotherfinancialcrimes.htm.

Box 12: Norway's Tactical Analytical Group

The Tactical Analytical Group (TAG) was established under the Norwegian national advisory group against organized illegal, unreported and unregulated-fishing (*Fiskeriforvaltningens Analsenettverk* or FFA). TAG is a group of analysts who meet to work on issues across agencies and disciplines. The agencies that are involved in the work are from the Directorate of Fisheries, the customs administration and the tax administration. These agencies bring their differing perspectives and expertise to produce a more effective combined analysis, identifying risk areas for possible investigation.

Box 13: The Netherlands' Experience

At the end of 2011, based upon an initiative of the Dutch Fisheries Authority (the Netherlands Food and Consumer Product Safety Authority or NVWA), a joint project was commenced by the NVWA, the Netherlands Tax and Customs Administration, the Fiscal Information and Investigation Service, the Social Security Authority and the Labour Inspection Authority to improve long-term compliance throughout the fisheries sector. The project was introduced following a strategic analysis of the sector, which included meetings with a range of experts and consideration of the results of previous audits, inspections and criminal investigations. This identified a number of areas for improvement in the existing system, whereby agencies acted largely in isolation conducting ad-hoc inspections and interventions into the activities of individual companies. Instead, an integrated multi-agency approach was adopted to consider risks across the sector. This comprises two pillars: firstly, the gathering and sharing of intelligence between agencies; and secondly a strategy of co-ordinated and intelligence-led interventions conducted by multiple agencies. This strategy covers all forms of compliance intervention, including those involving individual companies and broad cross-sector arrangements, and from civil inspections and audits to criminal investigations.

International co-operation

In the fisheries sector there is already extensive practise of international co-operation between national authorities and regulators. Regional Fisheries Management Organisations (RFMO) are formed by countries which have fishing interests in a particular region, or in the fishing of a migratory species such as tuna over a wide geographic area. Within the European Union, the European Fisheries Control Agency (EFCA) organises operational co-ordination of fisheries control and inspection activities. Platforms for international co-operation by law enforcement in the fisheries sector include the International Monitoring Control and Surveillance Network and the Interpol Working Group on Fisheries Crime.

Ensuring tax compliance and fighting tax crime in an international business such as the fisheries sector demands a global response. For the exchange of tax information, there already exists a wide network of instruments, including bilateral tax treaties (based largely on the OECD Model Tax Convention or UN Model Tax Convention); Tax Information Exchange Agreements (based on the OECD Model Agreement on Exchange

of Information in Tax Matters); and multilateral agreements such as the Nordic Tax Convention and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (the Multilateral Convention). The Multilateral Convention provides for a wide range of co-operation and can provide a legal basis for bilateral and multilateral compliance actions on all taxes specified by countries when signing the convention. Co-operation covered by the Multilateral Convention include exchange of information (including on request, spontaneous and automatic), simultaneous tax examinations, tax examinations abroad, assistance in recovery and measures of conservancy, and the service of documents. It can also facilitate joint audits. Where information obtained under the Multilateral Convention is relevant for other purposes, such as pursuing serious financial crimes, the information may be used for these purposes, subject to conditions. This ability is increasingly also provided in bilateral tax treaties and since 17 July 2012 has been included in the text of the OECD Model Tax Convention.²

To increase the extent and effectiveness of international co-operation in tax matters in the fisheries sector, the North Sea Fisheries Intelligence Group was established in 2012 by Denmark, Iceland, the Netherlands, Norway and the United Kingdom, and other countries including Germany, Ireland and Sweden have indicated an interest in participating in future meetings. This Group aims to identify greater opportunities for sharing intelligence to combat tax crime in the fisheries sector, and to facilitate efficient and effective exchange of information within the applicable laws and regulations.

To assist countries in identifying opportunities for international co-operation, the OECD in 2012 released a publication *International Co-operation against Tax Crimes and Other Financial Crimes: A Catalogue of the Main Instruments*³, which contains details and descriptions of instruments for co-operation in tax, anti-money laundering, anti-corruption and regulation and supervision, as well other mutual legal assistance instruments. However, despite the existence of instruments for international co-operation, legal and operational barriers to effective co-operation remain. Removing or mitigating the negative effect of these barriers is critical if countries are to be successful in dealing with international tax crime. To this end, the third international Forum on Tax and Crime, held in Istanbul in November 2013 and attended by senior officials from tax and customs administrations, law enforcement authorities, public prosecutors, anti-money laundering and anti-corruption authorities, government Ministries and international organisations, as well as experts in the fisheries sector, included a workshop to identify legal and operational barriers to effective international co-operation in combating tax crime and other crime. The outcomes of this workshop will feed into future work by the TFTC.

Multilateral tax compliance actions

Tax authorities in different countries may work together in multilateral tax compliance actions in order to resolve common tax challenges and issues of non-compliance, such as aggressive tax planning, abuse of tax treaties and detecting and combating international tax crime. Multilateral tax compliance actions may be taxpayer specific, such as joint audits, or relate to issues of more general application, such as techniques for risk analysis and detecting tax avoidance and evasion schemes in a particular sector. These compliance actions may result in quicker issue resolution, more streamlined fact finding and more effective compliance. Moreover, these actions have the potential to shorten examination processes and reduce costs, both for tax authorities and for taxpayers.

Multilateral tax compliance actions also promote benchmarking and the development of best practices in all authorities involved, and could develop and enhance the general knowledge of tax officials regarding the fisheries sector. Tax authorities that have engaged in multilateral actions have commented that the lessons learned and knowledge transferred concerning methodologies has led them to review their own existing practices to reflect international standards of best practice.

Box 14: Multilateral tax compliance action

A large cash withdrawal was made from a bank in order to pay a cash bonus to the crew of a fishing vessel. The case was analysed by tax officials using the money laundering model found in the 2009 OECD *Money Laundering Awareness Handbook for Tax Examiners and Tax Auditors*. The case also involved a contract for the sale of a fishing quota, which is an illegal transaction in the country in question. The sale had been made via a company registered in an offshore jurisdiction through a bank account in an onshore financial centre. This led to a multilateral tax compliance action being undertaken by three countries, which demonstrated that all three countries involved each had a different picture of the facts underlying the case. By working together, each country was able to apply its laws based on a clear understanding of the real transaction.

NOTES

1. Global Forum on Transparency and Exchange of Information for Tax Purposes (2010), *Terms of Reference: To Monitor and Review Progress Towards Transparency and Exchange of Information for Tax Purposes* <http://www.oecd.org/ctp/44824681.pdf>.
2. OECD (2012), *Model Tax Convention on Income and on Capital 2010: Full Version*, OECD Publishing. doi: [10.1787/9789264175181-en](https://doi.org/10.1787/9789264175181-en)
3. Information can be found at www.oecd.org/dataoecd/22/62/50559531.pdf.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The UNODC report shows that the global fisheries sector is vulnerable to a number of different types of criminal activity. The work of the TFTC in preparing this report on *Evading the Net: Tax Crime in the Fisheries Sector* has found that there are also widespread vulnerabilities to tax crime in the fisheries sector, including frauds on taxes on profit or earnings, customs duties, VAT and social security. Taken across all areas of tax, the tax revenue lost to criminal activity in this sector is likely to be significant. The effect of this tax loss on developing countries may be particularly great, impacting efforts to promote food security, reduce poverty and finance long term development.

Specific features of the fisheries sector, and in particular the lack of transparency and availability of beneficial ownership information on companies and difficulties in tracing financial flows, can make it difficult for tax administrations to identify and investigate suspicions of tax crime. In addition, the complexity of the fisheries sector and the number of participants in the value chain mean that there can be no single answer as to how tax administrations should remove or reduce the effects of these risks. Therefore, tax administrations should review the effectiveness of their current legal powers and procedures and develop an appropriate and effective strategy, based on their profile and needs. This may involve a range of measures, including for example taking steps to raise awareness in the general population and among key stakeholders of both the extent of the tax crime in this sector, and the fact the issue is taken seriously by government and participants in tax crime will be identified and prosecuted to the full extent of the law. Tax examiners, tax auditors and tax crime investigators dealing with the fisheries sector and related service providers should also be made aware of the extent and range of possible offences that they may encounter, and may require specific training in how to conduct enquiries taking into account features of the industry.

As this report has shown, organized criminal activity is rarely restricted to one sphere, and many of the characteristics of the fisheries sector that makes it vulnerable to one type of crime will equally make it vulnerable to other types of offence. Therefore, it is important that tax administrations and other government authorities and organizations with an interest in this sector, or holding relevant information, co-operate by sharing intelligence and information, as well as through joint operations, to the extent this is possible under law and regulations. Similarly, the commercial fisheries sector is an international business and addressing tax crime in the sector requires a global response. Tax administrations in all countries should actively engage in co-operation, including exchange of information and multilateral tax compliance actions. Where information received under treaty is relevant to combating other forms of serious crime, and to the extent permitted, tax administrations should share this information with other appropriate government authorities.

International organisations including the OECD should continue to support efforts to combat tax crime and other serious crime in the fisheries sector. An important part of this

support is the planned course on *Combating Tax Crime in the Fisheries Sector*, which is part of the OECD Capacity Building Programme for Tax Crime Investigators.

The process of preparing this report has involved detailed discussions between specialists from tax administrations, customs administrations, fisheries authorities and law enforcement. This has already yielded significant benefits through the sharing of experiences and analyses, highlighting further areas for research and, in a number of cases, leading to specific international co-operation in tackling actual cases of tax crime and illegal, unreported and unregulated fishing. International organizations including the OECD should continue to support work to combat tax crime and other crime in the fisheries sector, including by sharing experiences, collaborating on projects and promoting effective inter-agency and international co-operation.

Recommendations

This report makes the following recommendations.

1. Tax administrations should assess their country's vulnerabilities to tax crime arising within the fisheries sector and related service providers, and the effectiveness of existing legal powers and procedures in preventing, detecting and investigating these crimes.
2. A strategy should be developed for tackling tax crime in the fisheries sector and related service providers within their overall approach to tax compliance. This strategy should:
 - promote voluntary compliance in the fisheries sector, including the use of a communications programme aimed at the key stakeholders;
 - ensure that tax examiners, tax auditors and tax crime investigators have the relevant skills and knowledge to detect and combat tax crime in the fisheries sector, within the scope of their roles;
 - improve detection and counter-measures to combat tax crime in the fisheries sector through a whole of government approach, building co-operation with key partner agencies including, inter alia, the customs administration, fisheries authority and inspectorate, coastguard, police and other law enforcement authorities; and
 - promote international co-operation, including exchange of information, with overseas tax administrations in combating tax crime and, where appropriate and permitted, the sharing of information received from overseas concerning serious non-tax offences with the relevant government authority or law enforcement authority.
3. In collaboration with other relevant agencies, tax administrations should consider the establishment of regional intelligence working groups, similar to the North Sea Fisheries Intelligence Group established in 2012, to identify greater opportunities for sharing intelligence to combat tax crime in the fisheries sector, and to facilitate

efficient and effective exchange of information within applicable laws and regulations.

The first two Recommendations above are not limited to those countries with a significant visible fisheries sector, but also apply to countries which provide services or financial services to participants in the fisheries sector in other countries.

ANNEX: OUTLINE OF COMMON DOCUMENTATION

The fisheries sector is a complex industry, with numerous participants involved at the various stages in the value chain. Tax examinations or audits of companies operating in this sector are made even more difficult by the fact that these stages can take place in different countries, as fish pass from the point of catch to the final marketplace. This annex contains a brief summary of some of the key documents that are commonly required or maintained at each stage of this value chain and may be available to tax examiners or auditors. These documents can be valuable in compiling an accurate picture of a fishing vessel or company's activities, the origin and destination of fish and fish products, or to identify inconsistencies in the description of the nature or quantity of goods sold.

Documents produced before a catch arrives at port

Ship registration	Ship registration documents confirm a vessel's registration under a country's flag. The term 'flag of convenience' refers to cases where a vessel is registered in a country other than that of its owners.
License documentation	Contains details of a vessel's license to fish, including specifications of the permitted fishing areas, species and quotas.
Electronic logbook	This is a compulsory document maintained by all vessels and used for reporting information to fisheries authorities. The precise data it contains will vary depending on the fisheries authority responsible for the vessel.
Deck Diary / Ship Log	Maintained by a vessel's captain, recording the ship's daily activities.
Weekly Report/Daily report	A compulsory report submitted to the fisheries authority on a periodic basis. The data reported will vary depending upon the fisheries authority concerned. This may be maintained electronically or in hard copy.
Records of Vessel Monitoring System (VMS) and Automatic Identification System (AIS)	Records produced by global systems to track the movements of ships can be of great value for the historic and real-time monitoring of the activities of individual fishing vessels.
Coastguard documentation	Coastguard documentation may include information on the activities and movements of vessels, and the results of any inspections.

Record of catch	The record of catch is a key document prepared by all vessels for submission to fisheries authorities. This is used as the basis for confirming compliance with a vessel's license to fish, but can be a useful starting point for tracking the movements of fish through the value chain.
Documentation of sale at sea	Catch is often sold before arriving at port, through agreements negotiated by agents. Documentation for these sales will include electronic communications between the vessel, the fishing company, purchasers and any agents.

Documents produced following a catch arriving at port

Detailed documents are required upon the landing of catch at port. From this point on, the documents produced will largely depend upon the route that fish takes to reach the marketplace, taking into account the extent of processing, whether they are subject to further export, and whether they are shipped by land, sea or, less commonly, air. Some of the documents listed below may arise at several different points in this process.

Customs documentation	Including Pre-Notifications of Arrival, General Vessel Declarations, Cargo Declarations, Crew List and Customs Import Declarations.
Harbour Master documentation	The Harbour Master is responsible for administering all shipping movements at port. Documentation may be held to ensure compliance with rules relating to customs, immigration, environmental issues and pollution.
Port State control document	At many ports vessels, and in particular foreign vessels, may be subject to inspection to verify their condition and compliance with international regulations with respect to equipment, crew and operations.
Bill of Lading	The Bill of Lading is an important document containing detailed information on the nature and quantity of fish landed and transferred to a carrier for transportation, as well as its immediate destination. The Bill of Lading also acts as confirmation that the goods have been received by the carrier. This document must accompany the fish and be signed by all parties that take responsibility for the shipment until it reaches its destination. The Bill of Lading is also commonly accepted by banks and other institutions that goods have been shipped.
First sale note	The first sale note is an important step in the trail as fish leave the vessel which caught them and begin to move towards market. Companies that wish to buy 'first sale fish' must be registered with the fisheries authority in the country in which fish are landed.

Sales contracts	Sales contracts will contain details of the terms agreed between private parties. A company which is not party to non-compliance will be keen to ensure the contract terms are accurate, and so contracts can be useful where they contain information that appears inconsistent with that contained in filed returns. However, where both parties to a contract are involved in non-compliance, contract terms may not give an accurate picture of reality.
Settlement sheets	Settlement sheets are produced and kept by agents involved in sales. These are useful third party documents, though tax officials should keep in mind that agents acting for fishing companies may also be party to non-compliance.

Evading the Net: Tax Crime in the Fisheries Sector

The fisheries sector is a large and thriving industry within the global economy, with strategic importance for many developed and developing countries. Worldwide, the sector has an annual value in excess of USD 217.5 billion, and over 500 million people in developing countries depend, directly or indirectly, on fisheries and aquaculture for their livelihoods.

This report looks at the issue of tax crime in the fisheries sector, including frauds over taxes on profit and earnings, customs duties, VAT and social security, with examples from real cases. These include crimes that rely on features characteristic of the fisheries sector, as well as those seen in other industries. The report discusses aspects of the sector that make it vulnerable to tax crime, including a lack of transparency and difficulty in obtaining beneficial ownership information resulting from the use of offshore companies and the practice of registering vessels under flags of convenience. Strategies used by tax administrations and other authorities to prevent, detect and investigate tax offences are outlined and the report makes recommendations for steps countries can take, alone or in co-operation, to combat these crimes.

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