MIC 2017
Management International Conference
Monastier di Treviso (Venice), Italy
24–27 May 2017

Tax Management Hierarchy – Tax Fraud and a Fraudster

Darina Saxunova
Comenius University, Faculty of Management, Slovakia
darina.saxunova@fm.uniba.sk

Rozalia Sulíkova
Comenius University, Faculty of Management, Slovakia
rozalia.sulikova@fm.uniba.sk

Rita Szarkova
Comenius University, Faculty of Management, Slovakia
rita.szarkova@fm.uniba.sk

Abstract. To avoid fulfilling its tax obligation deliberately every year such entity's behaviour is harmful to the society because the tax revenues fulfil the state treasury with the capital resources for public services. For years the number of international authorities and institutions that have been making efforts to eliminite the tax evasions or tax fraud has been growing. Several Slovak legal norms tackle the matters of financial and economic crime as well, having multinational dimension. For instance, the number of the fictitious commercial companies is steadily increasing that are involved in non-transparent business transactions, with the participation of white horses in the so-called carousel fraudulent schemes (tax evasions) with the aim of exercising an excise deduction of value added taxes. The research object of this paper are taxes and their management highlighting negative phenomena associated with the tax compliance. The paper focuses on studying tax avoidance and tax evasions evolution, highlighting the factors influencing occurrence of these phenomena from the historical perspective. Moreover, it studies who the typical fraudster is, since the auditors may identify the problems with tax avoidance and tax evasion because of knowing better the personality type who is liable of committing tax fraud as this may be considered as an risk element in performing audit. We may object and question the behaviour of some entrepreneurs as far as ethics is concerned, especially in connection with looking up tax paradises as the headquarter for a new established company due to low or zero tax rates. Speculative businessmen could be found everywhere. Moreover, the partial objective of this scientific paper is also to examine and analyse tax fraud as a part of economic crime globally.

Keywords: fraudster, tax evasion, tax fraud, economic crime

1 Introduction

Taxes have always been the most important source of the state budget. But taxpayers are constantly looking for ways to avoid paying taxes or to reduce the amount of tax liability. Tax evasion and tax fraud are current and serious problems of each economy. They have a negative effect on the state budget and on the situation of public finances. Tax evasion and tax fraud are characterized as the result of the economic behaviour of taxpayers, considered as a leakage of tax liability. Tax evasion limits countries in the implementation of their economic policy. It also represents a problem from the justice´s point of view. Countries, states, as well as the European Union, try to combat these phenomena, analyse their range and to accept necessary actions to detect tax evasion and reduce the leakage. The biggest problem is that the tax evasion and tax fraud evolution is faster than the actual regulation of legislation. The fight against tax evasion should be implemented not only at national level, but also at EU or global levels. Many believe that rich companies, individuals are in charge of tax evasions, they have the intention to hide their wealth, confirmed recently by high-profile leaks from off-shore financial institutions such as the Panama Papers or Luxemburg leaks. Sophisticated forms of evasion involving legal and financial intermediaries can be accessed only by wealthy taxpayers and they are unlikely to be uncovered in random audits.

2 Objectives and Methodology

The aim of this scientific paper is to elucidate the issue of tax evasion from a theoretical point of view. The topic of tax evasion and tax fraud is well-known, the global business environment is characterised with these phenomena. Our goal is to describe tax evasion and tax fraud, their most significant features, forms and historical development in the theoretical level. The first part of the article is focused on providing basic definitions, reporting of tax and tax evasion in our history and describing various factors influencing tax evasion and tax fraud. Additionally, we focus on tax fraud as a part of economic crime in selected countries. The next part is concentrated on the fraudster, the most characteristic features of the typical perpetrator. Basic methods – content analysis, systemization and comparison have been used. The theoretical threshold is based on the analysis of variety of scientific papers, publications, articles. In the second part of the paper secondary analysis is used to analyse available statistical data. Comparative analysis is used to define conclusions.

3 Tax Evasion in a Scientific Focus

The mankind have known tax evasions for many centuries. The oldest evidences that confirm the existence of tax evasion are tax mutinies, first reported by ancient historians. In AD 60, Boudicca - the queen of the British Iceni tribe – led her people in mutiny against the Romans. This revolt was forcefully ceased and led to changes in tax obligations. Tax resistance was one of the reasons that prevented the formation of strong and consolidated states in the past. Territories of France and Germany between the 5th and 10th centuries were characterised by these revolts. Tax particularism can be mentioned in connection with sustaining fragmentation of Franconian tribes. Franconian tribes militarily opposed any effort to introduce tax solutions. The reason of the war against John Lackland was the unwillingness of English nobility to face any tax burden. They did not want to pay taxes and fees linked to their income and property. In 1215 'the Great Charter' (Magna Carta Libertatum) was announced as a consequence of tax avoidance and resistance against taxation..Excessive tax burden was also one of the main causes of the French Revolution. That was the reason why tax collectors were decapitated first in the times of revolutionary terror. Antoine Lavoisier, a father of contemporary chemistry financed his scientific research by collecting taxes. Tax mutinies were present not just in Europe but also overseas. The history of the United States was also related to tax resistance. Goods imported from the United Kingdom were burdened by high taxes. The most significant tax burden on the territory of the United States was connected with the tax duty on Whiskey manufacturers (also known as the "Whiskey Rebellion"). The revolt broke out in summer of 1794 in Pennsylvania and resulted in the right given to Whiskey manufacturers to negotiate the tax rate. The excise duty on Whiskey was abolished in 1803. Tax mutinies no longer exist, but tax evasion is still present and uses other, less drastic methods. (Ciupek, 2015)

The economic theory of tax evasion is not as old as the phenomenon itself. According to Sandmo (2005), the beginning of the theoretical concept of tax evasion from the point of view of practitioners´ experience and theoreticians´ ideas can be dated to 1972. In this year, Allingham and Sandmo published the first scientific paper about tax evasion was, "Income Tax Evasion: A Theoretical Analysis". The publication of this research paper raised criticism representing benefit for the tax evasion theory. The Allingham and Sandmo (1972) model predicts that the very rich should evade less, because they are more likely to be (non-randomly) audited by the tax authority. Altsteadter et al. (2017) show the opposite results: in all their studied samples, top 0.01% households are much more likely to hide assets abroad than households in the bottom of the top 1%. A simple model with a fixed cost of hiding wealth cannot realistically generate this pattern, because it only costs a few hundred dollars to create a shell company in the British Virgin Islands. They suggest that it is important to analyse the supply of tax evasion services instead of its demand only.

Other researches work in the investigation of tax evasion and tax fraud. (Hayoz and Hug, 2007), (Gravelle, 2015), (Brown, 2011), (Tooma, 2008), (Murray, 2012). According to Webley et al. (2010) it is an old, but constantly developing issue. Beck, Lin and Ma (2014) are looking for the answer to the question: Why are companies constantly trying to avoid taxing? Other researchers are looking for new ways to reduce (Alm, 2012a), (Piolatto, 2014) and measure tax evasion (Mo, 2013). There is an effort to compile different models for measuring, analysing tax evasion by applying various factors (Spicer, 1986), (Xiao, Liu and Lai, 2014), (Seidel a Thum, 2016). Thakur (2013) describes how to detect tax evasion by shares and how to catch fraudsters. Mawejje and Okunu (2016) examine the interaction between different indicators of the current business environment and tax evasion. Li and Ma (2015) focus on the relationship between the government and tax evasion. The literature on inequality has discussed the potential problems raised by tax evasion (e.g., Atkinson, Piketty, Saez, 2011, pp. 36–40), but until recently there was little data that would allow to systematically quantify it. Zucman (2013) estimates that 8% of the world's financial wealth is held in tax havens globally; a similar estimate if obtained by Pellegrini et al. (2016).

4 Tax terminology - Key Concepts

The term of ***tax evasion*** is often used by the general public or in academic environment, but to find its general definition is difficult. Faltová (2015) found out that the common element of all definition of tax evasion was the illegality. Aleš (2000) writes that tax evasion is a failure of tax liability. The concept of tax evasion (Boháč, 2015) can be understood as a situation in which the tax is not determined in accordance with the law. The result of mentioned situation is a difference between the amount of tax payable and the amount of tax paid. The amount of tax paid by the taxpayer is lower than the amount stated by the law. On the other hand, Lenártová (2000) defines tax evasion as a result of targeted, legal or illegal, economic behaviour of a taxpayer, which leads to the reduction or elimination of tax liability or to other economic benefit resulting from taxes.

Tax fraud and fight against tax fraud represent global challenge for all countries of the world, as well as for the European Union. According to Babčák (2015), it is a complex and diverse issue that needs to be solved through coordinated and multilateral processes, because there is no country within the European Union which can handle this problem alone. He says, the concept of tax fraud can be characterized as a form of tax evasion, while false declarations and documents are intentionally presented. Boháč (2015) defines this concept from criminal law perspective as a crime of fraud.

In this context, foreign literature uses terms of "Tax evasion" and "Tax avoidance". Experts characterize "Tax evasion" as a type of tax fraud activities for which taxable entity can be sanctioned. The form of sanction depends on the extent of tax reduction, the amount of tax not paid and also whether or tax evasion was deliberate. Tax evasion can also occur on the basis of ordinary ignorance, lack of information or negligence. The constantly changing tax laws and regulations contribute to the disruption of legal certainty and to unintentional misconduct of the taxpayer.

Tax avoidance is considered as a legal tax optimization, when a taxable entity applies all legal provisions to minimize the amount of his tax liability. It is actually a tax evasion while the taxable person uses all the legal options. The taxable entity can apply all statutory exceptions, exemptions, tax reliefs, discounts, depreciation, joint taxation of husband and wife, standard or percentage expenses of income and reserves directly and intentionally settled in the legislation. Legal tax optimization can include the usage of gaps in law and regulations. For example in the case of the division of a trading company into smaller business units it is possible to avoid of higher tax rate, if progressive taxation is applied. "Schwarz system" is another way to achieve legal tax benefits. Schwarz system means hiring workers based on their business license instead of employment contract. (Faltová, 2015). Businesses avoid taxes by a) taking all legitimate deductions to minimize business expenses and by b) hiding income from taxes by establishing employee retirement plans and other means to postpone taxes until a later date, all mentioned is legal under the Internal Revenue Code or state tax codes, or by c) taking tax credits for spending money for legitimate purposes.

The European Commission (EC – Taxation and Customs Union, 2017) defines the most important phenomena as follows:

- ***Tax Fraud*** – "is a form of deliberate evasion of tax which is generally punishable under criminal law. The term includes situations in which deliberately false statements are submitted or fake documents are produced"
- ***Tax Evasion*** – "generally comprises illegal arrangements where tax liability is hidden or ignored, i.e. the taxpayer pays less tax than he/she is supposed to pay under the law by hiding income or information from the tax authorities"
- ***Tax Avoidance*** – "is defined as acting within the law, sometimes at the edge of legality, to minimise or eliminate tax that would otherwise be legally owed. It often involves exploiting the strict letter of the law, loopholes and mismatches to obtain a tax advantage that was not originally intended by the legislation".

We introduce our classification of the phenomena in the process of tax avoidance, evasions and fraud and we believe taxes may be minimized in two ways: a) legally minimised tax obligation and b) illegally minimised tax obligation.

a) A legally minimised tax obligation procedure that benefits from utilizing legal regulations for minimising the amount of taxes paid (tax liability) occurs:
   i) especially owing to revealing leaks in legislation, and its shortcomings in law in order to reduce taxes – this is considered **tax avoidance**,
   ii) or due to the direct legislator's intention.
b) An illegally minimised tax obligation procedure is executed by the economic entity which
   i) deliberately ignores the tax duty i.e. tax liability or uses all available instruments to hide the tax liability – this is considered **tax evasion**.
   ii) on purpose counterfeits the data in documents or documents themselves – this is considered to be **tax fraud**.

4.1 Determinants of Tax Evasion

Tax evasion phenomenon is affected by a number of different factors that have a strong influence on them as the consequence of globalization. Ciupek (2015) mentions the causes of tax evasions and tax avoidance in six areas in her publication:

- Economic factors – financial and economic situation of a taxable entity, general business conditions, the amount of tax burden, the probability of the detection of tax evasion, the amount of sanctions, business stagnation,
- Legal factors – distrust in the state and in public institutions, freedom to influence the actual status of economic events, burdensome nature of recording responsibilities, complexity and inconsistency of tax regulations,
- Social factors – exchange-related justice connected with tax payments and tax benefits, community, horizontal, vertical and procedural justice,
- Demographic factors – age, gender, education, marital status,
- Mental – attitude to legal standards, sense of nationality, place of tax residence,
- Moral factors – attitude to civil obligations, attitude to taxation, ethics, religion, habit.

Lenártová (2000) in her scientific paper also examines the determinants of tax evasion, where she lists the following group of factors: economic, legal, socio-political, tax-technical, psychological, ethical and social factors.

4.2 Forms of Tax Evasion and Tax Fraud

Tax fraud is a form of intentional tax avoidance. Tax frauds were, and even are present in all countries, states of the world. This phenomenon has reached international proportions by globalization and creating a single market within the European Union. Tax evasion and tax fraud are the most affected by the free movement of capital, the free movement of labour and international cooperation between companies from different countries of the world. Unfair practices of companies trading across national borders have a huge impact on tax evasion in the areas of VAT, excise duties and income taxes. Kenney & McCafferty, P.C. (2011a) – a tax advisory company on its website lists the five most important forms of tax fraud:

Using Off-shore Accounts – Physical entities and corporations often use off-shore accounts to hide their income and assets from government institutions, to avoid taxing. Many foreign jurisdictions offer financial secrecy to investors who live in other countries to attract them to "tax havens". In these tax havens, the amount of tax liability is usually very low or zero. (Kenney & McCafferty, P.C., 2011b)

Corporate Tax Fraud – According to Babčák (2015), tax fraud can have various forms and natures. Tax fraud arises from the taxpayer´s active behaviour or his failure to act. In the most cases, the active and intentional actions of a taxable entity are related to VAT fraud. This tax fraud can be found in the following forms:

- Tax fraud related to cross-border transactions – for example carousel fraud
- Fraud realized when invoicing and bookkeeping
- Other forms of fraud – for example free goods and services, unpaid taxes, fraud realized with advance payments

Gravelle (2015) characterizes the most commonly used methods of corporate tax optimization which include: debt allocation and profit minimization, transfer pricing, contract production, Check-the box method, hybrid units and hybrid instruments, cross-crediting and rules for foreign tax reliefs.

Tax Fraud by Employing – Companies usually employ people on the basis of non-employment agreements, do not pay tax and fees according to legislation, pay in cash to avoid taxing. In many cases, the employer exposes fake tax return documents, does not send tax return documents or does not inform employees about it. (Kenney & McCafferty, P.C., 2011c)

Money laundering is carried out to hide the original source of finances, to persuade the government that money comes from credible sources. It occurs mainly in situations when money comes from illegal activities. (Kenney & McCafferty, P.C., 2011d)

Tax shelters are investments that allow tax liability reduction. For example, they can be investments in pension funds and real estate. Taxpayers using illegal tax shelters can face different sanctions. (Kenney & McCafferty, P.C., 2011e)

5 The Fraudster

Fraud is an intentional deception to secure illegal gain that destroys corporate reputations, requires millions and ruins lives. It is a difficult economic and moral burden. We can hear about it every day by the media, but do we know who the typical fraudster is, which features are characteristic for these people?

5.1 The Dark Triad

Auditors all over the world should have information about the most specific features of individuals who are likely to commit fraud. It can help them to assess the risk of fraud. The FBI says that psychopathy is an important forensic concept to understand white-collar crimes in our global business environment. The "Dark Triad" fraud risk model has been developed which characterizes personality types of individuals carrying out fraud. Epstein and Ramamoorti (2016) identified three abnormal, deviant personality types that can affect risk for financial reporting fraud. The dark triad is characterized by narcissistic, Machiavellian and psychopathic personalities.

- Narcissism or megalomania is an excessive type of egocentrism. It can be defined by features like grandiosity, pride, lack of empathy and egotism. People with narcissistic personality focus on power, prestige, they are vain and unable to see the real damage they cause.
- Machiavellianism can be characterized as manipulation of others, arrogance and selfishness. People with this type of personality are able to exploit others. They use other people to achieve their own personal goals by charm, pressure and friendliness.
- Psychopathy – the darkest archetype - means antisocial behaviour, selfishness, stubbornness and rudeness. "Psychopaths commonly exhibit glibness or superficial charm, a grandiose sense of self-worth, a heightened need for stimulation and a low threshold for boredom, a pathological inclination for lying, a shallowness of emotional response, a lack of empathy, a parasitic lifestyle, poor behavioural controls, a lack of realistic long-term goals, a failure to accept responsibility for their actions, and criminal versatility." (Epstein and Ramamoorti, 2016)

Tax authorities are obtaining experience in detecting taxes evaded, for instance one of the most common ways enterprises frequently make a mistake and are caught red handed committing tax fraud is to have a lifestyle that's not consistent with their reported income. The high lifestyle may indicate earnings haven't been reported in most cases and it may be qualified as a willful attempt to evade taxes."

5.2 The Characteristics of the Typical Fraudster

Recently, auditing companies have been interested and studying who the typical fraudster is, what characteristics are typical for people committing fraud. This information helps them in an auditing process when assessing risk profiles. Tax evasions were the most frequently discovered by a random audit performed. PwC surveys state (2014, 2016) that the typical fraudster is an internal actor. According to the survey, in 2014, 56% of the fraudsters were internal actors. This number decreased by 10% in 2016. On the other hand, in 2014 just 40% of the analysed people were external actors and the portion of them increased by 1% in 2016. Internal actors were responsible for fraud mostly in Africa, Asia, Pacific and Latin America. External actors were the main perpetrators of fraud in Eastern Europe, Western Europe and North America. The most significant change in the type of the perpetrator was in North America where there was a swing from internal to external actors in 2016.

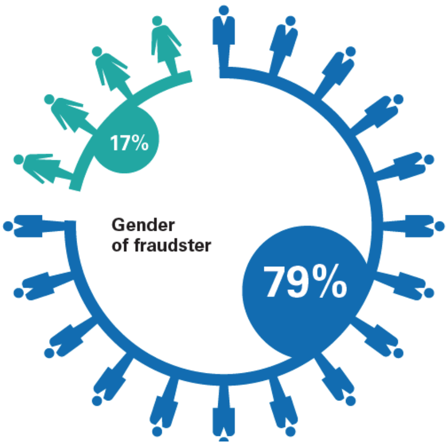
PwC summarises that the typical fraudster is a male with university degree or a college graduate person. The average age of the typical fraudster is 31 - 40 years and he has a 3 - 5 year experience in the selected company. More than 50% of internal actors work as a middle or senior manager which is the hardest to detect.

KPMG (2016) also created the global profile of the fraudster. Forensic professionals of KPMG around the world were asked between March 2013 and August 2015 about the fraudsters who were investigated by them during the analysed period. KPMG´s survey is based on a detailed questionnaires and also interviews with the fraudsters. 750 fraudsters have been analysed in 81 countries.

Gender and Age

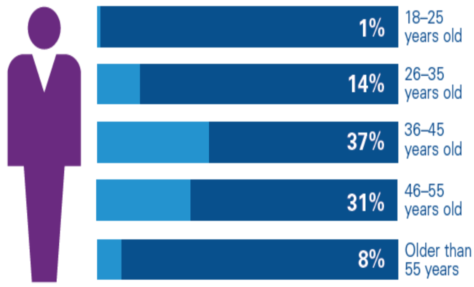
Based on the KPMG (2016) surveys, the fraudster is a male in the ages of 36 and 55. According to analysed data, 79% of the fraudsters investigated were men and just 17% were women, while the number of female fraudsters had increased by 4% from 2010 to 2016. The number of perpetrators was the highest between the ages 36 – 45 (37%), people in the age group of 46-to-55 were on the second place with 31%. 14% of investigated fraudsters were 26 – 35-year-olds which meant a 2% increase since 2010. 8% of fraudsters were older than 55 and just 1% was in its youth – between 18 and 25 years. The survey says that 45% of female perpetrators were between the ages of 36 and 45.

Illustration 1: Gender of fraudster



Source: KPMG (2016, p. 7)

Illustration 2: Age of the fraudster



Source: KPMG (2016, p. 7)

Insiders, Outsiders, Collusion and Years in Service

The perpetrator usually works with the victim organization. In 65% of the cases, the fraudster was employed by the victim organization, 21% of them were former employees. Among perpetrators who used to be employees, 38% had worked with the organization for more than 6 years, 14% from 4 to 6 years, 19% from 1 to 4 years and just 2% worked with the company less than 1 year.

The fraudsters had helpmates only in 62% of the cases, which was an 8% decrease since 2013. Women are less cooperative than men, only 45% of women colluded with others opposed to 66% of male fraudsters. The number of cases, where fraudsters worked with more than 5 people, had increased by 11% between 2010 and 2015. The survey says that the highest collusion was registered in Latin America, the Caribbean, Africa and the Middle East, while Oceania and North America is characterized by perpetrators acting alone.

Corporate Title, the Level of Seniority and Other Characteristics

The fraudster has a managerial position in operations, finance or in general management. According to the KPMG survey (2016), 34% of the fraudsters were directors (in 2013 32%), 32 % were managers (in 2013 25%) and 20% were staff members (in 2013 16%).

Table 1: Corporate Title in 2016

	Directors	Managers	Staff Member
All Fraudsters	34%	32%	20%
Men		32%	15%
Women	13%	38%	42%
Country where the number of fraudsters in the concrete position is the highest	Europe	Africa and the Middle East	Oceania

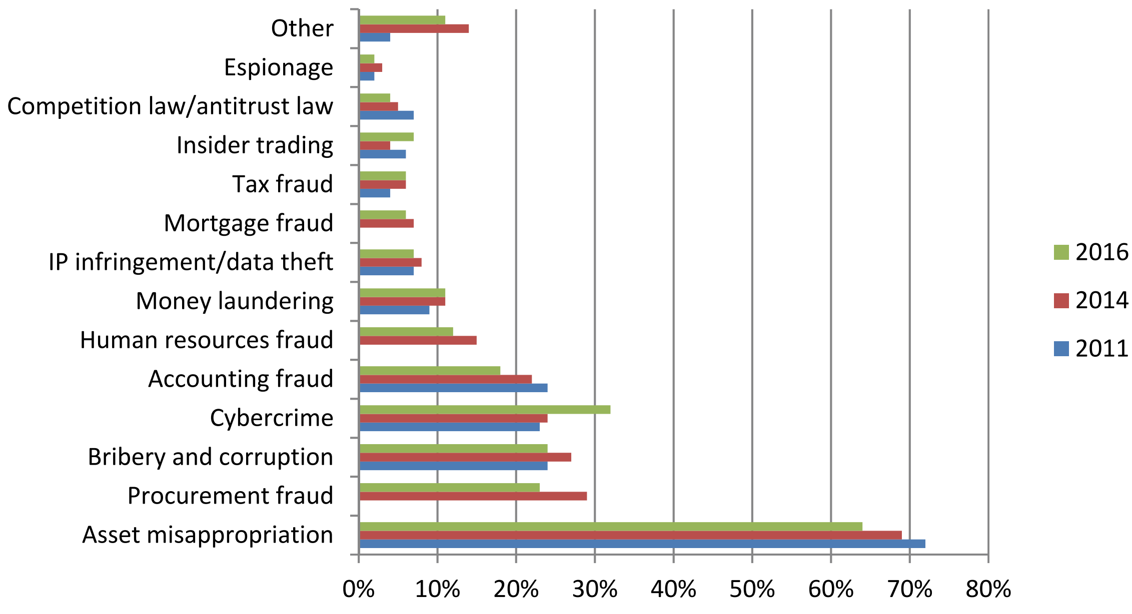
Source: Own elaboration based on KPMG (2016)

Fraudsters can be found all over the world. They feel a strong sense of superiority. Fear and anger are not as much characteristic for them as the feeling of perfection. 38% of perpetrators are usually even well respected, 10% of them are of low repute. 61% of the fraudsters say that weak internal control contributes scam. The survey says that 44% of fraudsters have unlimited authority. They are able to ignore regulations.

6 Measuring Tax Fraud and Tax Evasion

The major difficulty in analysing tax fraud and tax evasion is the absence of reliable information. Tax evasion and tax fraud consist of illegal activities. Individuals and corporations have strong incentives to hide their cheating. Survey based evidence is one of the traditional direct methods, when individuals are asked about their evasion and fraud behaviour, so was the PwC´s economic crime survey.

Illustration 3: Tax Fraud as a Part of Economic Crime in the Global Perspective



Source: Own elaboration based on (PwC, 2014) and (PwC, 2016)

Table 2: Tax Fraud as a Part of Economic Crime in the Global Perspective

	2011	2014	2016
Asset misappropriation	72%	69%	64%
Procurement fraud		29%	23%
Bribery and corruption	24%	27%	24%
Cybercrime	23%	24%	32%
Accounting fraud	24%	22%	18%
Human resources fraud		15%	12%
Money laundering	9%	11%	11%
IP infringement/data theft	7%	8%	7%
Mortgage fraud		7%	6%
Tax fraud	4%	6%	6%
Insider trading	6%	4%	7%
Competition law/antitrust law	7%	5%	4%
Espionage	2%	3%	2%
Other	4%	14%	11%

Source: Own elaboration based on (PwC, 2014) and (PwC, 2016)

PricewaterhouseCoopers asks over 6 000 respondents within the Global Economic Crime Survey biannually to determine how many organizations have experienced economic crime in the past 24 months and to find out which types of economic crime are the most frequent in the world.

As you can see from Table 2 and Illustration 3, tax fraud does not have an important place in the economic crime ranking. Only 4 – 6% of respondents met tax fraud in the business environment during the analysed periods. According to the respondents, asset misappropriation, bribery and corruption, accounting fraud and cybercrime are more frequently used methods of economic crime than tax fraud. Each of them achieved more than 20% in the global survey of PwC. These facts do not mean that tax fraud is not as popular as the other types of economic crime. It suggests that it is a hardly discoverable area where anonymity and business secrecy have an important role.

6. 1 Recommendation for Recognizing and Identifying Tax Evasion Schemes

Employment tax evasion schemes can take a variety of forms. Examples of more prevalent methods of evasion are pyramiding, employee leasing, paying employees in cash, filing false payroll tax returns or failing to file payroll tax returns (Murray, 2017).

a) **Pyramiding** of employment taxes is a fraudulent practice where a business taxes are withheld from its employees but they are failed to be remitted to the Internal Revenue Service (in the USA tax authority), or Tax authority in continental Europe. Enterprises involved in pyramiding frequently file for bankruptcy to get rid of the liabilities accrued and then start a new enterprise under a different name and commence a new scheme.
b) **Employment Leasing** is another legal business practice, which is sometimes subject to abuse. Employee leasing is the practice of contracting with outside entities to handle all administrative, personnel, and payroll concerns for employees. In some instances, employee-leasing companies ignore the payment of employees' taxes to tax authorities collected by employer. These taxes may be used then for financing owner's business or personal expenses.
c) **Paying Employees in Cash**, fully or partially, is a common method of evading income and employment taxes resulting in lost tax revenue to the government and the loss or reduction of future social security or Medicare benefits for the employee.
d) **Filing False Payroll Tax Returns or Failing to File Payroll Tax Returns** - are two other practices for evading taxes, preparers tax obligation on behalf of the employees submit false

payroll tax returns, sometimes they understate the amount of wages on which taxes are owed or they fail to file employment tax returns.

7 Conclusion

Tax evasion and tax fraud are today´s serious problems. States, state authorities, international organizations try to introduce new actions and to fight against these leaks. On the other hand, taxpayers, entrepreneurs are very shifty everywhere in the world. They are constantly looking for new ways and methods to avoid paying taxes. The fact is that fraudsters are always a step ahead of the state. While state authorities are trying to find a way to capture fraud and to adapt it to the legislation, tax entities already use new legal and illegal methods to avoid paying. Countries invest a lot of effort into interception tax evasion and tax fraud. Nevertheless, it is almost impossible to determine their size. There are various estimations of losses caused by the perpetrators every year, but concrete numbers are not available. PwC in its surveys has determined the size of the part what tax fraud presents in economic crimes. Our question is: who are the people who commit fraud, how can these people be distinguished? Research says that fraudster can be characterized by three features which form the dark triad. These are narcissism, Machiavellianism and psychopathy. Different surveys exist about the profile of the typical fraudster. PwC say that the perpetrator is an internal actor, a male who is 31 – 40 years old with a university degree and who has a 3 - 5 year experience in the victim company. KPMG determined that the typical fraudster is a 36-55 year old man who works with the victim organization for more than 6 years and who is in a managerial position. The information about the profile of the perpetrator is important to assess the risk of fraud and for risk profile preparation.

References

Aleš, J. 2000. "Daňový únik". *Právo a podnikaní*; 22.

Alm, James. 2012a. "Designing alternative strategies to reduce tax evasion". In: *Tax Evasion and the Shadow Economy,*edited by Michael Pickhardt and Aloys Prinz, 13-32. Massachusetts, USA: Edward Elgar Publishing, Inc.

Alm, James. 2012b. "Measuring, explaining, and controlling tax evasion: Lessons from theory, experiments, and field studies". In: *Tulane Economics Working Paper Series.* Working Paper 1213. ". Accessed August 15, 2017. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.335.3739&rep=rep1&type=pdf

Alstadsæter, Anette, Johannesen, Niels, and Zucman, Gabriel. 2017. "Tax Evasion and Inequality" Accessed August 15, 2017. https://gabriel-zucman.eu/files/AJZ2017.pdf

Atkinson, Anthony, Thomas Piketty, and Emmanuel Saez. 2011. "Top Incomes in the Long-Run of History," *Journal of Economic Literature*, 49(1), 3–71.

Babčák, Vladimír. 2015. "Právo Európskej únie a boj proti podvodom v oblasti DPH". In: *Daňové právo vs. daňové podvody a daňové úniky,* edited by Vladimír Babčák, Anna Románová a Ivana Vojníková,. Vol. 1. 9-36. Košice: Univerzita Pavla Jozefa Šafárika v Košiciach.

Beck, Thorsten; Lin, Chen, and Yue Ma. 2014. "Why Do Firms Evade Taxes? The Role of Information Sharing and Financial Sector Outreach". *The Journal of Finance;* 763-817.

Boháč, Radim. 2015. "Teoretické otázky českého daňového práva z hlediska daňových úniků a podvodů". In: *Daňové právo vs. daňové podvody a daňové úniky,* edited by Vladimír Babčák, Anna Románová a Ivana Vojníková,. Vol. 1. 37-46. Košice: Univerzita Pavla Jozefa Šafárika v Košiciach.

Brown, Karen B. 2011. "A Comparative Look at Regulation of Corporate Tax Avoidance: An Overview". In: *A Comparative Look at Regulation of Corporate Tax Avoidance*, edited by Karen B. Brown, 1-24. New York: Springer.

Ciupek, Božena. 2015. "Premises of the phenomenon of income tax evasion". In: *Daňové právo vs. daňové podvody a daňové úniky,* edited by Vladimír Babčák, Anna Románová a Ivana Vojníková,. Vol. 1. 81-94. Košice: Univerzita Pavla Jozefa Šafárika v Košiciach.

EC – Taxation and Customs Union. 2017. "The fight against tax fraud and tax evasion - Time to get the missing part back". Accessed January 9, 2017. https://ec.europa.eu/taxation_customs/fight-against-tax-fraud-tax-evasion/missing-part_en

Epstein, Barry Jay and Sridhar Ramamoorti. 2016. "Today´s Fraud Risk Models Lack Personality". *The CPA Journal*; 15-21.

Faltová, Šárka. 2015. "Daňový únik". In: *Daňové právo vs. daňové podvody a daňové úniky,* edited by Vladimír Babčák, Anna Románová a Ivana Vojníková,. Vol. 1. 129-138. Košice: Univerzita Pavla Jozefa Šafárika v Košiciach.

Gravelle, Jane. G. 2015. "Tax Havens: International Tax Avoidance and Evasion". Accessed January 1, 2017. https://fas.org/sgp/crs/misc/R40623.pdf

Hayoz, Nicolas and Simon Hug, (ed.). 2007. *Tax evasion, Trust and state capacities*. Germany: Peter Lang AG.

Kenney & McCafferty, P.C. 2011a. "Types of Tax Fraud". Accessed January 4, 2017. http://www.tax-fraud.net/types-of-tax-fraud.html

Kenney & McCafferty, P.C. 2011b. "Off-Shore Accounts Fraud". Accessed January 4, 2017. http://www.tax-fraud.net/offshore-accounts-fraud.html

Kenney & McCafferty, P.C. 2011c. "Employment Tax Fraud". Accessed January 4, 2017. http://www.tax-fraud.net/employment-tax-fraud.html

Kenney & McCafferty, P.C. 2011d. "Money Laundering Tax Fraud". Accessed January 4, 2017. http://www.tax-fraud.net/money-laundering-tax-fraud.html

Kenney & McCafferty, P.C. 2011e. "Abusive Tax Shelters". Accessed January 4, 2017. http://www.tax-fraud.net/abusive-tax-shelters.html

KPMG. 2016. "Global profiles of the fraudster: Technology enables and weak controls fuel the fraud". Accessed July 13, 2017. https://assets.kpmg.com/content/dam/kpmg/pdf/2016/05/profiles-of-the-fraudster.pdf

Lenártová, Gizela. 2000. "Faktory vzniku daňových únikov". *Ekonomické rozhľady*; 243.

Li, Lixing and Guangrong Ma. 2015. "Government Size and Tax Evasion: Evidence from China". *Pacific Economic Review;* 346-364.

Mawejje, Joseph a Ibrahim Mike Okumu. 2016. "Tax Evasion and the Business Environment in Uganda". *South African Journal of Economics;* 440-460.

Mo, Phyllis Lai Lan. 2003. *Tax Avoidance and Anti-Avoidance Measures in Major Developing Economies*. USA: Praeger Publishers.

Murray, Jean. 2017. "What Is the Difference Between Tax Avoidance and Tax Evasion?" Accessed Juny 9, 2017. https://www.thebalance.com/jean-murray-397306

Murray, Rebecca. 2012. *Tax Avoidance*. London, UK: Sweet&Maxwell.

Pellegrini, Valeria, Alessandra Sanelli, and Enrico Tosti . 2016."What do External Statistics tell us About Undeclared Assets held Abroad and Tax Evasion?," Bank of Italy Occasional Paper 367.

PwC. 2014a. "PwC´s 2014 Global Economic Crime Survey – Economic crime: A threat to business globally". Accessed July 13, 2017. https://www.pwc.at/de/publikationen/global-economic-crime-survey-2014.pdf

PwC. 2016a. "Global Economic Crime Survey 2016 – Adjusting the Lens on Economic Crime: Preparation brings opportunity back into focus". Accessed July 13, 2017. https://www.pwc.com/gx/en/economic-crime-survey/pdf/GlobalEconomicCrimeSurvey2016.pdf

Sandmo, Agnar. 2005. "The Theory of Tax Evasion: A Retrospective View". *National Tax Journal;* 643-663.

Thakur, Prashant Kumar. 2013. *Tax Evasion Through Shares*. Kolkata: Prashant Kumar Thakur at Smashwords.

Tooma, Rachel Anne. 2008. *Legislating Against Tax Avoidance*. The Netherlands: IBFD.
Webley, Paul, et al. 2010. *Tax Evasion: An Experimental Approach*. New York, USA: Cambridge University Press.
Zucman, Gabriel. 2013. "The Missing Wealth of Nations: Are Europe and the US net Debtors or net Creditors?" *Quarterly Journal of Economics*, 128(3), 1321–1364.