The Swedish Economic Crime Authority’s 2014 status report

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The Swedish
Economic Crime
Secretariat EBM
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1. SUMMARY

The 2014 status report is a strategic report produced by the Swedish Economic Crime Authority. The aim of the report is that it should be applied as decision-making data for the management team’s focuses and actions during 2015. It also aims to be applicable both internally and externally in order to share knowledge about economic crime. The questions to be answered are:

- How has economic crime changed in recent years?
- How will it change in the future?

The report includes external monitoring and a description of the current situation in relation to criminal players, criminal plans and factors that facilitate criminal plans. The report examines individuals within serious organised crime and the proceeds of crime in further depth. Conclusions and an assessment of future developments are also included.

The results show few changes compared with previous years. The most common crimes are failure to produce annual reports or misleading annual reports, undeclared work including e.g. unreported employer’s contributions, and various forms of false accounting. Common crimes include stopping accounting or selective accounting, particularly before bankruptcy, or not keeping accounts for operations at all. More complex set-ups that have been noted are modus operandi in which false or stolen identities and various types of forged certificates are used, tax crimes relating to VAT including several different countries, staffing agencies from different countries and a wide variety of types of fraud, in which companies are often used as an instrument of crime. It is particularly within cash-intensive industries, such as construction/demolition/renovation, hotels and restaurants, cleaning, transport and commerce, that these crimes are committed. It can also be noted that a number of those suspected of committing these crimes are within the property industry, as well as culture, the media and the scrap industry. The haulage and staffing industries are additional examples, as are the mining and forestry industries in the north of Sweden and the animal trade in the south. The berry industry stands out as a new industry in this year’s status report.

The authority investigates five categories of suspects in particular: small business owners, fronts/straw men, entrepreneurs whose business concepts involve economic crimes, specialists/facilitators and players with links to serious organised crime. The number of individuals suspected by the authority with good grounds for suspicion during 2013 as a whole was 8,031 people. The majority of these suspects were small business owners with no previous convictions. Thirty-five percent of all those suspected had previously been charged with a crime.

The main factors that make it easier for people to commit crimes are internationalisation and technological solutions, a lack of control systems and coordination between authorities, and measures that aim to make things simpler for business owners and private individuals. The big challenges for the Swedish Economic Crime Authority’s crime-fighting operations are still internationalisation, technological developments and the growing number of multicriminals who move to economic crime.
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1.1 Introduction
Economic crime is a significant social problem, and tax evasion in Sweden is estimated to run into many billions of kronor. The Swedish Economic Crime Authority is responsible for combating economic crime. Its commission includes monitoring and analysing crime trends and producing proposals for actions. The main economic crimes investigated by the Swedish Economic Crime Authority are tax crimes, false accounting, bankruptcy-related crimes, crimes against the financial interests of the EU and financial market crimes. Cases of fraud are not normally investigated by the authority. A status report describing economic crime is produced each year by order of the authority’s management team. The status report consists of an analysis of factors that influence economic crime and their consequences. It describes modus operandi, the players involved and the fields about which the authority has limited knowledge. It also goes into further depth about the players within serious organised crime and where the proceeds of crime go. The aim is that the report should be used as data when deciding on future focuses of the Swedish Economic Crime Authority and to disseminate knowledge about economic crime.

The questions that are answered are:
- How has economic crime changed in recent years?
- How will it change in the future?

1.2 Outline, method and materials
The status report contains three sections. In External monitoring, various factors that have been assessed as having an influence on economic crime – and in certain cases on the operations of the Swedish Economic Crime Authority – have been categorised and analysed. The categories are opinion, market outlook, simplification of rules, control activities and technological developments. This section is based on a large number of sources, such as reports, status reports, risk analyses and draft legislation. Information has also been obtained through interviews with officials at the authority and at cooperating authorities. A Nordic view is included, in which representatives from Norway and Denmark have answered questions about the impact and consequences of various different factors.

The description of the current situation is based on processing statistics on individuals suspected with good grounds for suspicion during 2013 as a whole. In contrast to the previous year, the material includes all those suspected with good grounds for suspicion, which also includes those individuals who have been investigated by the tax crimes units. This means that this year’s material covers 8,031 people compared with just over 3,000 in previous status reports. Information about geographic distribution, industry, debts, taxed income and the registers of suspects and charges has been added. The material has then been used as a basis during interviews with prosecutors, investigators, auditors, analysts, IT investigation staff and intelligence staff at all locations. A number of people at the Swedish Economic Crime Authority’s head office and at cooperating authorities within the framework of the regional intelligence centres, the national intelligence centre and the Swedish Police’s national fraud centre have also been interviewed about economic crime and its development. In addition, this part includes a mapping of players within serious organised crime and a description of the proceeds of crime and where the money goes.

The two introductory sections form the basis for the Conclusions and future developments section, in which noted tendencies are highlighted in order to assess any future development.

The report refers to the different regions according to their main cities, but also includes the geographical areas relating to each city.

1.3 Limitations
Due to technical constraints, it is not possible to report industries for all companies. The industry average is therefore based on a degree of statistical processing as well as interviews.

Nor is it possible to report statistically on exactly which types of crimes individuals are suspected of, since the crime codes applied include a wide variety of different crimes. For example, ‘tax crimes’ includes both undeclared work and selective purchase tax crimes. This section is therefore also based on both statistics and empirical knowledge obtained via interviews.

Finally, it should be noted that the material used is largely internal material that reflects the reported crime but not necessarily the actual crime. This means that the reported crime depends largely on the Swedish Tax Agency’s controls, whereby certain industries or areas of crime, for example, may be over-represented in the reporting statistics in relation to the actual crimes committed.

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2. EXTERNAL MONITORING

Society undergoes constant changes, which are taking place at an ever faster rate. It is therefore important to monitor social trends in order to understand and predict how economic crime is developing, and in particular to predict how it should be combated. The following section deals with the external changes that are deemed to affect economic crime, and in certain cases also the operations of the Swedish Economic Crime Authority.

2.1 Social acceptance for economic crime?

It is hard to calculate the scope of economic crime. However, estimates suggest that the black market economy accounts for 65 percent of Sweden’s GNP in total. A concrete calculation of tax evasion carried out by the Swedish Tax Agency gives a sum of SEK 133 billion, of which undeclared work accounts for SEK 66 billion. This can be compared with the largest items in the budget proposal for 2014, Financial security for the sick and disabled, which totals just over SEK 96 billion – see Figure 1 below.

The sums of money withheld from the state as a result of economic crime are high, but despite this the general public generally have an unclear picture of what economic crime is and what damage it causes. Based on, among other things, the attitude study commissioned by the Swedish Economic Crime Authority, it can also be noted that – on the whole – knowledge about crime is low, and that tolerance of economic crime is relatively high. One reason for the low knowledge about and relative acceptance of economic crime may be that, in such crimes, it is often the state that is the victim and the plaintiff, in contrast to crimes against individuals or groups. Sympathy for the state is unlikely to be as high as in cases where the victim is an individual or a group.

![Figure 1. Scope in SEK millions](image-url)
The tax gap includes both crimes and unintentional errors.

Attitude survey carried out by the Swedish Economic Crime Authority in 2014
Tolerance of economic crime also tends to be reflected in the judicial system, which has a tendency not to view economic criminals in the same way as traditional criminals.

**Impact assessment**

- Social acceptance, combined with lucrative potential benefits and a relatively low risk of discovery, may mean that people who have not previously committed economic crimes are turning to this type of crime to a growing extent.
- Social acceptance of withholding taxes is resulting in distorted competition, which in turn may also force other business owners to commit crimes in order to be able to compete on the same terms.

### 2.2 Companies as an instrument of crime and more cases of criminal negligence

In order to increase employment, work is being carried out to simplify rules with the aim of making it easier to start, run and own a business. Most newly formed companies have few or no employees and a low turnover. The majority of companies are established within the service sector. This sector includes construction and cleaning, which are so-called ‘problem industries’ in which criminality occurs.

Since a reduction in share capital entered into force in 2010, the proportion of companies that are limited companies has risen from 21 percent in 2009 to 35 percent in 2014. The simplification measures have also made it easier for criminals to form their own limited companies in order to use these companies as an instrument of crime. Since the audit requirement was abolished in 2010, around 140,000 of 250,000 eligible Swedish companies have chosen not to be audited, and 74 percent of those companies that have been started since the change in the rules have chosen not to be audited right from the start. According to the Swedish Companies Registration Office, this has resulted in more delayed, non-submitted and incorrectly completed annual reports.

An additional change is that companies are tending to an ever greater degree to contract out control functions such as regulatory compliance to consultancy firms. The trend is heading towards a reduction in auditing in favour of advice, and factoring, financing advice and management consultancy services are on the increase.

Since 2000, the number of foreign-owned companies in Sweden has grown from 5,500 to 13,500. However, the proportion of foreign companies out of the total number of companies in Sweden has fluctuated between 20 percent and 25 percent since the beginning of the 21st century. Norway and Denmark control the most foreign-owned companies and the majority of these companies are within the service sector, which is also true of Swedish companies.

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2. www.startaegetinfo.se
3. No written evaluation is available as at September 2014.
Since 2011, companies that are established in an EU member state have had the right to provide services in Sweden on a temporary basis (up to a year) without having to be established here, for example by setting up a branch office. The requirement for a branch office to be registered here does not apply if the foreign company will only be carrying out operations in Sweden temporarily. Nor are the players obliged any longer to have a representative with an address in Sweden who is authorised to represent the company or to have a postal service recipient resident in Sweden.

The Data Retention Directive, which instructed telecommunications and internet operators to save information such as traffic details for at least six months, was declared invalid by the Court of Justice of the European Union in April 2014. The consequences for Swedish legislation and fighting crime are as yet still unclear, but it is expected that this will make investigation work more difficult.

The involvement of private players in publicly financed activities is growing, and there are problems in terms of a lack of control and insight in purchasing at state, county and municipal levels. The principle has also been that the lowest price wins, which has sometimes resulted in unprofessional players having won procurement processes. However, more nuanced regulations have started to take shape. This is particularly the case via administrative court of appeal rulings, which can be interpreted as meaning that greater attention can be paid to whether tenders can be deemed to be reasonable rather than only taking the lowest price into consideration. At the same time, measures are also being discussed for better control of the sub-supplier stage.

**Impact assessment**

- The simplification measures that have been carried out mean that more small and medium-sized companies are being set up by people who do not have any previous experience of running a business, which may mean that crimes committed as a result of negligence or ignorance will continue to increase.
- These simplification measures and the reduction in the share capital threshold mean that more people are starting limited companies, which increases the risk of this type of company being used as an instrument of crime and that the proportion of reported crimes relating to smaller limited companies is increasing.
- The abolition of the audit requirement means poorer accounting and thus fewer opportunities to obtain an accurate picture of a company’s financial situation.
- The number of business owners affected by unprofessional or inadequate advice is assumed to be growing, which means a heightened risk of unintentional crimes being committed.
- A growing number of foreign companies – both actual companies and apparent companies – are being used to circumvent the rules in order to avoid paying tax, both in Sweden and abroad.
- The abolition of the branch office requirement means that Swedish authorities do not know which companies are operating in the country.
- The declaration of the invalidity of the Data Retention Directive may mean that telecommunications and internet operators stop storing data traffic information, which will make investigation work considerably more difficult.
- The opportunity for unprofessional players to appropriate funds from publicly financed operations remains, but may reduce as a result of clarified regulations that give better control over sub-suppliers and better opportunities to consider factors other than price levels.
2.3 Harder to avoid controls

Alongside the simplification work that is being carried out, a number of control activities and proposed bills are also being presented with the aim of reducing the opportunities to carry out criminal operations.

One of the proposals that has been presented is to draw up a system within the OECD field in order to see where large companies pay tax, with the aim of reducing their opportunities for committing tax crimes. Internationally, there is a focus on tax havens in order, for example, to establish information exchange agreements to reduce the opportunity to withhold assets.

In order to reduce selective purchase tax crimes, the option of carrying out unannounced visits to tax warehouses and a national transportation system for goods that are subject to selective purchase tax were introduced on 1 April 2014. Via its control activities, the Swedish Financial Supervisory Authority has withdrawn credit market company permits and is introducing even stricter controls. The Swedish Financial Supervisory Authority is also drawing up more routines in connection with permit approval in order to reduce the number of unprofessional players in the market.

In order to reduce cheating within the construction industry, there is a bill for the introduction during 2015-2016 of electronic staff registers at construction sites, unannounced visits by the Swedish Tax Agency and an obligation to report which people start working at construction sites. In order to increase controls over immigrant workers, it has also been proposed that tighter rules should be introduced including the opportunity to carry out enhanced checks and to impose sanctions on companies that fail to comply with the promised terms of employment. The law introduced in 2013 obliging foreign companies to report to the Swedish Work Environment Authority when posting workers in Sweden is also expected to improve the opportunities to calculate the number of foreign operations and the length of time for which they operate in Sweden.

It is hard to assess the impact that the new law on penalties for money laundering crimes and the investigation into cash handling will have on economic crime and on the operations of the Swedish Economic Crime Authority. The new law that includes money laundering may offer greater opportunities for tackling cash provision, one of the most important service functions of economic crime. The recently completed investigation into cash handling proposes that the Swedish Central Bank should be given a clear overall responsibility for cash handling in Sweden.

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Swedish Government Report Series 2013:57
Information from the Swedish Tax Agency
SFS 2014:307
SOU 2014:61
Impact assessment

- It is assumed that, in the long term, an increased number of agreements on exchanging information will result in a reduction in tax haven transactions as a means of tax evasion or a shift to other countries.
- The introduction of a national transportation system and unannounced visits to tax warehouses within the field of selective purchase tax may result in a greater risk of discovery in connection with selective purchase tax crimes.
- The proposed legislation on staff registers and unannounced visits within the construction industry may lead to greater risk of discovery in connection with undeclared work within the construction industry.
- The law on penalties for money laundering crimes involves an expansion of the punishable field and more legal tools, but the consequences depend on the work of the authorities and future legal practice.

2.4 Risk of increased undeclared work

The Swedish market is experiencing an upturn, with increased economic growth where employment and the work force are growing and both households and businesses are more optimistic than was previously the case. Swedish production is becoming even more service-intensive instead of being focused on manufacturing. There are still industries within the service sector where economic crimes are committed, such as within construction and cleaning, which means that more people in the service sector will result in a greater number of employees within sectors that are already problematic.

The labour market situation is stabilising with more people in employment, while at the same time the labour market is becoming increasingly polarised. On the one hand, unemployment is rising among people with a weak position in the labour market, such as those from a foreign background and people who do not have post-upper secondary level education. On the other hand, demand is growing for skilled services in which post-upper secondary level education is required, resulting in a greater need for skilled immigrant workers.
The number of immigrant workers is rising, and calculations from the Swedish Tax Agency show that there are 100,000 foreign people working in Sweden annually, primarily within the construction industry. Since there are insufficient opportunities for controls in relation to foreign workers, reliable figures are lacking, but the assessment is that the foreign workforce mainly relates to workers from countries within the EU/EEA. The influx of immigrant workers is criticised for being unregulated and because workers are exploited by unprofessional employers, for example as black market labour. With black market labour, social security contributions and employer contributions are not paid, and false invoices are used to conceal cash operations. There are more and more foreign representatives in Sweden, and the Swedish Enforcement Authority notes that the number of debtors with coordination numbers is rising, which makes the authority’s work more difficult.

**Impact assessment**

- There is a risk that undeclared work will increase because it is easier for vulnerable groups to gain access to the black labour market than the legitimate labour market.
- Freedom of movement combined with a lack of control opportunities means that there is a continued risk of foreign workers being exploited through undeclared work.

**2.5 The networked society and digitalisation**

The trend of increased digitalisation, larger quantities of information, more cloud-based services and increased mobility is continuing. Increased outsourcing of IT solutions, including information storage, means that the authorities have to turn to third parties in order to obtain information. How and where information is stored affects the opportunities for discovering and investigating economic crime. For example, it is significant whether information is stored locally or in the cloud, and whether it is encrypted or unencrypted. Important information can now also be stored on watches, smart TVs and GPS systems in vehicles, in addition to traditional devices such as computers and mobile phones.

More cloud-based services have led to private clouds in which information is stored locally on a server that the consumer has control over. This development has also led to greater use of digital fingerprints on consumer products. The use of anonymisation and encryption services has generally increased in recent years, following media reports about state monitoring systems that have been revealed. In addition, there are more and more ways of communicating, for example via Skype, which it is harder for the authorities to monitor. There are also signs that a growing number of suspects are using unregistered prepaid SIM cards that they only use for short periods.

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"Information from the Swedish Tax Agency 2013.
"The Swedish Enforcement Authority, *External analysis, April 2014*
"For example accountancy, invoices, stored communication, etc."
Technology makes new transaction methods possible, and allows assets to change ownership quickly, both nationally and globally, including hidden ownership. For example, it is now possible to acquire and transfer assets in the form of electronic money or encrypted electronic currencies. With the latter, both ownership and transactions can be kept anonymous. However, using a virtual currency involves a degree of risk, in terms of both technology and value.

Technology has also created virtual market places in which goods, services and money can change ownership. The ways in which these types of operation are carried out means that it can be hard to determine where taxation should occur.

**Impact assessment**

- Access to encrypted and anonymised services is increasing, and can be used in criminal operations.
- New technological solutions for storing and transferring assets offer increased opportunities for concealing the proceeds of crime.
- Technological developments and the increased size of materials and quantities of data place tougher demands on the Swedish Economic Crime Authority’s capacity to deal with digital information.
- Information is moving outside the control of crime-fighting authorities, making these authorities more dependent on other players.

**2.6 Scandinavian comparison**

Most of the above influence factors, and the consequences that are deemed to be the effect of these, are also generally present in Denmark and Norway. A few selected differences and similarities are detailed below. In Denmark, there are also examples of economic criminals being placed in open institutions where, for example, they have access to the internet and can thereby continue to commit crimes. The problems of private players in public procurement and a lack of control of sub-suppliers have also been noted in both Denmark and Norway.

In Norway, a review is being carried out of the effects of abolishing the audit requirement, and the trend there, too, points towards more advice and consultants. Problems have also been noted in Denmark and Norway with the exploitation of foreign workers and matters relating to undeclared work. In addition to construction, the problem industries in Denmark are also baking and cleaning. The reasons for this have not yet been explained in greater detail. As in Sweden, the simplification of rules is something that has been abused in both countries, and foreign representatives are being used as fronts to start up and run companies.

In terms of technological developments, there is growing access to encrypted and anonymised services, new technological solutions for storing and transferring assets are becoming available, and there is a significantly larger quantity of information in which information moves outside the control of crime-fighting authorities, making these authorities more dependent on other players.
3. THE CURRENT SITUATION

The description of the current situation in relation to economic crime is based on statistical processing of individuals suspected with good grounds for suspicion who have been investigated by the Swedish Economic Crime Authority in 2013 and both internal and external interviews. This year, the statistical material relates to 8,031 people, and the number of suspected crimes totals 56,000. The figure below shows the distribution of all suspected crimes as a proportion, divided up by category of crime. It should be noted that an individual criminal investigation may include a large number of suspected crimes, which has an impact on the statistics. Despite the fact that the data is more extensive than in previous years, there are no major differences compared with before.

3.1 Crime

Figure 2. Distribution of all cases of suspected crime by case category in percent

Within the framework of the various crime categories, there is a great variation in crimes. False accounting, tax crimes and obstructing tax inspections account for a total of 80 percent of suspected crimes. False accounting includes failure to produce annual reports and misleading annual reports, either due to ignorance or in order to conceal undeclared work, for example. Common cases include not keeping accounts at all, or stopping accounting or selective accounting before bankruptcy. The most common tax crimes are undeclared work including unreported employer contributions, as well as selective purchase tax crimes and VAT crimes. It can be noted that some people make the transition from sole proprietorship to registering a limited company without always knowing about the rules. This means that there

**Due to rounding, the figures add up to 101 percent**
may be a certain increase in ‘crimes of negligence’ within both false accounting and tax crimes. The abolition of the audit requirement and an increased element of unprofessional advice has, according to information from the Swedish Companies Registration Office, resulted in poor annual reports, which also increases the risk of tax evasion.

Document crimes, fraud and attempted blackmail account for 14 percent of suspected crimes. These do not include those crimes that will primarily be investigated by the Swedish Economic Crime Authority but have been investigated in connection with other crimes. Document crimes include both the falsification of various documents and the use of forged documents. These crimes occur almost exclusively in Gothenburg. Almost 1,300 cases of suspected crimes of a serious nature were investigated in relation to fraud. There has been a major fraud investigation in Malmö, with many plaintiffs, constituting the majority of the cases of fraud investigated by the authority. A large number of cases of suspected blackmail were also investigated in these cases, which explains the unusually high figures for this category of crime. Fraud is one category of crime in which a dramatic increase is reported. This category includes cases of investment fraud, assistance fraud, credit fraud and cheating in connection with tax deductions for home improvements, tax deductions for household services and salary guarantees, for example. Cases of EU fraud are included in the Swedish Economic Crime Authority’s catalogue of crimes, and are common in other European countries. However, few such cases are reported and investigated in Sweden.

The crimes against property category includes cases of embezzlement and criminal breach of trust, which are primarily investigated by the Swedish Economic Crime Authority’s financial market unit. Suspicions of benefit fraud are mainly attributable to two cases: one in Umeå involving health insurance fraud and one in Linköping concerning assistance fraud. Creditor crimes have mainly involved dishonesty to creditors. During the year, such crimes have been investigated in Gothenburg and Stockholm. This category of crime includes the criminal plans of draining companies that are close to bankruptcy and diverting payments for work carried out from a company that is threatened by bankruptcy to another company.

Suspected financial market crimes account for just over 1,000 cases out of the total of 56,000 suspected crimes. These mainly relate to prohibited market influence, which involves someone influencing a share price in an inappropriate manner. Insider crimes, in which individuals act on information that is not publicly known, is reported to increase in good times, since there are more companies, more business opportunities and larger sums of money. Suspicions of receiving stolen money are very few, and relate mainly to a few particularly demanding investigations in Malmö.

In several locations, cases are reported to have become increasingly complex with more foreign connections, more companies and more players. The basic situation remains the same, but has become more difficult to investigate as a result of the use of various IT solutions and internationalisation, which can mean that information needs to be obtained from several different countries when carrying out investigations.

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"No written evaluation was carried out in September 2014.

"For example tax crimes, false accounting and financial market crimes.
3.2 Industries
As previously, it is primarily cash- and staff-intensive industries that are investigated by the authority, such as construction/demolition/renovation, hotels and restaurants, cleaning, transport and commerce. A number of the suspected individuals operate within the property industry, as well as culture, the media and the scrap industry, and in the haulage and staffing industries. In terms of financial market crimes, ‘speculative industries’ are a common factor. These are industries that have not yet recorded a profit but that will do so if business goes well, for example within the fields of research, mining metals and technological development. In some locations, there is information about crime within publicly financed operations that are operated under private management.

A number of new industries have been identified during the year, including the forestry and mining industries in the north of Sweden and trading in horses or pets in the south. The berry industry is another new industry that features in several places around the country. On the whole, there are no major differences between the locations.

In terms of the industry associations, it is mainly construction and transport that feature major problems and unfair competition. The industry associations within construction have drawn attention to tax evasion of up to SEK 10 billion within the construction industry.\(^7\)

3.3 Modus operandi and facilitating factors
This section only reports on more organised and planned approaches, and on modus operandi that are deemed to be of a new nature. Scheming criminals who carry out advanced plans are often well aware of the facilitating factors that exist, and thereby consciously take advantage of the system. Modus operandi and facilitating factors are therefore reported on in the same section.

One simplification measure that is taken advantage of to a significant extent within economic crime is the service requirement of authorities. One example would be expedient handling, which reduces the scope for checks.

The consequences of the service requirement can be inadequate control systems which make it easy to register fronts as board members. When registering new companies with the Swedish Companies Registration Office, forged certificates, such as bank and auditor certificates, false identities and forged signatures, are sometimes used. Stolen or false identities, often from foreign citizens, are appearing in more and more cases, and make it harder to bring proceedings against individuals. This phenomenon is also well known to authorities such as the Swedish Police, the Swedish Tax Agency, the Swedish Migration Board and the Swedish Social Insurance Agency.

\(^7\) Svenska Dagbladet, debate article by the CEO of the Swedish Construction Federation and the President of Byggnads, Svenska Dagbladet, published 9 October 2013.
The **international dimension** is clear in various types of economic crimes, and in some cases is even a requirement in order for a crime to be committed, for example VAT carousels\(^{22}\) or selective purchase tax crimes. Criminals take advantage of the free movement of people, goods and services within the EU, and a growing number of foreign citizens and companies feature in the agency’s investigations. The number of *foreign representatives in Swedish companies* is growing, and the number with incomplete civic registration numbers is just over 14,000.\(^{23}\)

It is not uncommon for several countries to be included in a single case, where goods are purchased in one country and sold in another, while the company is based in a third country. The mostly commonly mentioned region in interviews conducted with staff at the agency is the Baltic States. There are examples of Baltic companies being used as a front for carrying out work in Sweden, particularly within the construction industry, or to provide money. It can also be the case that fictitious or real individuals appear to be board members in limited companies, but do not carry out this role in reality. It is also asserted that accounting is carried out in the Baltic States.

In many cases, the United Arab Emirates – and particularly Dubai – is the receiving country for streams of money, probably because this is a financial centre where large sums of money are processed.

Staffing agencies with foreign workers are used especially within the construction industry to conceal undeclared work and/or to avoid paying taxes and charges. This has the greatest social consequences in the form of unpaid tax income.

A lack of coordination, particularly between different authorities, is another factor that individuals who commit economic crime take advantage of. Most authorities have regional divisions, and when criminals operate across borders it becomes more difficult to detect criminal activities.

Companies – private companies and limited companies – are being used to an increasing extent in economic crime, including for the types of crime that are not investigated by the Swedish Economic Crime Authority, such as cases of fraud. When using companies to commit an economic crime, it can be noted that the choice of company form is thought to depend on the type of crime in question. There are many variants of fraud, and it is becoming increasingly common for fraud to be combined with economic crime that comes under the mandate of the Swedish Economic Crime Authority. There is a clear system when carrying out fraudulent plans, and it is not uncommon for individuals who commit serious crimes to be involved.

\(^{22}\) Where goods are purchased VAT-free from other countries and sold on in Sweden without VAT being paid to the Swedish Tax Agency.

\(^{23}\) Information from the Swedish Companies Registration Office, March 2014.
As mentioned previously, criminals take advantage of technological developments to conceal their crimes. One method of concealing crimes that remains common is to mix black market and legitimate operations, giving various transactions the appearance of legitimacy. Black market and legitimate operations are also combined in selective purchase tax crimes. In these cases, which those interviewed said were few in number, the set-ups are advanced, are often hard to investigate and turn over large sums of money.

### 3.4 Players

The number of individuals suspected with good grounds for suspicion who were part of an investigation by the Swedish Economic Crime Authority during 2013 totalled 8,031. This section provides a description of these individuals in relation to various background factors, such as debts and income, previous suspected crimes and judgements, types of player and distribution between locations and categories of investigation.

Of the suspected individuals, 17 percent were women and 83 percent were men. The largest proportion were aged 41-50. A third had debts ranging from a few kronor up to approaching SEK 300 million. In total, the individuals owed the state more than SEK 2 billion. The 4,450 companies included in the investigations had debts amounting to SEK 2.7 billion. Suspected individuals in Malmö and Linköping had slightly larger debts than suspects in other locations. The majority were average income earners, while the proportion paying no income tax was 17 percent and the proportion of high-income earners was 10 percent. Those paying no income tax and high-income earners were over-represented in Stockholm. Those paying no income tax were also more common in Malmö, but generally speaking there are no major regional differences. The distribution of suspects per location is shown in Figure 3.

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17 Earning more than the threshold for the highest marginal tax rate, SEK 587,201.
Of the 8,031 suspected individuals, 65 percent had no previous convictions. The remaining 35 percent had been previously suspected or convicted of crimes, and are hereinafter referred to as *previously known*. Of all individuals, 76 percent were only suspected of some form of economic crime. The remaining 24 percent were what is referred to as ‘mixed criminals’, in other words they have been previously convicted or suspected of crimes other than economic crimes, excluding traffic offences.
Figure 5 shows that the majority of those who were investigated by the authority were individuals who had been suspected only of economic crimes, and that they were not previously known for other crimes. These people account for 64–69 percent of suspects at every location.

Figure 5. Distribution of categories of individuals by location as a proportion.

Figure 6 shows the extent to which suspects were mixed criminals (all crimes with the exception of traffic offences) or suspected of only economic crimes. In comparison with the previous year, when the selection was limited for technical reasons to just over 3,000 people, the proportions remain largely the same. The biggest difference is that the proportion of only economic crimes – new within economic crimes was 65 percent last year, compared with 57 percent during the previous year. However, the proportion of only economic crimes – previous within economic crimes was lower, at 11 percent compared with 16 percent during the previous year.

The majority of suspected individuals who were investigated by the authority were small business owners with no previous convictions and who, in most cases, committed crimes as a result of ignorance or negligence. This category of suspected individuals is described because it relates to the majority of investigations, and the overall tax evasion is significant. The categorisation of the different types of suspected individuals can be used to devise various investigation measures or preventive measures and strategies, depending on the category of suspected individual.
Mixed crime – new within economic crimes
A total of 1,198 individuals, i.e. 14 percent, had previously been suspected or convicted of some other type of crime, but not of economic crime. These individuals were younger than in other categories, and included individuals as young as 15-20. However, there were only a handful in this age range. There was a higher proportion of men, and low and average income earners dominated. A higher proportion in this category had debts compared with the total for all suspects. A higher proportion had also been sentenced to one year of imprisonment for crimes other than economic crimes. One hypothesis is that this category includes fronts/straw men and individuals with links to serious organised crime – see section 3.5.1.

Mixed crime – previous within economic crimes
A total of 741 individuals, i.e. nine percent, were mixed criminals who had been previously suspected of economic crimes. This category includes more older people aged over 60 than average, and 95 percent of all suspected individuals in this category were men. The proportion paying no income tax and the proportion of individuals with debts were also significantly higher in this category. The proportion convicted or suspected of serious crimes was also higher than in other categories. One hypothesis is that this category includes individuals who are involved in serious organised crime – see section 3.5.1.

Only economic crimes – new within economic crimes
A total of 5,184 suspects, i.e. 65 percent, were suspected only of economic crimes and had not previously been suspected or convicted. The largest proportion in this category was those aged 41-50. The proportion of women was 22 percent, which is higher than in all other categories. Here, there were somewhat fewer paying no income tax and more higher income earners. However, average income earners dominated. A lower proportion of individuals in this category had debts compared with the average for all suspects. One hypothesis is that this category includes a large proportion of small business owners, but specialists/facilitators could also be found in this category – see section 3.5.
Only economic crimes – previous within economic crimes

A total of 908 individuals, i.e. 11 percent, had been previously suspected of economic crimes. This category includes more individuals aged 40 or over, as well as a higher proportion of men. Here, there are more individuals paying no income tax and fewer high income earners than in other categories. More than half of these individuals also had debts. One hypothesis is that this category includes individuals in the entrepreneurs whose business concepts involve economic crimes and fronts,straw men categories – see section 3.5.

3.5 Types of players

As in previous years, the types of players identified in interviews were:

- Small business owners
- Fronts,straw men
- Entrepreneurs whose business concepts involve economic crimes
- Specialists/facilitators
- People with links to serious organised crime

The majority of those investigated by the Swedish Economic Crime Authority are small business owners, who can be divided up into two sub-categories. One category consists of individuals who intentionally cheat in connection with accounting, undeclared income or the purchase of goods and services for private consumption. The second category, however, does not have clear criminal intentions as often and commits crimes as a result of poor finances, for private reasons, or due to negligence, ignorance or carelessness. As was the case during the previous year, it can be noted that most crimes that are committed are thought to be based on ignorance on the part of companies which have not fully understood corporate responsibility or which believe that the responsibility for accounting ceases when an external bookkeeper or accounting consultant is engaged. There were also several cases of unprofessional bookkeepers, affecting individual business owners.

Fronts,straw men are individuals who act on behalf of someone else’s capacity in return for payment, for example as a board member. The difference between a front and a straw man is that a front has very little influence over how his or her name is used, whereas a straw man acts more independently. One change within this category compared with previous years is that straw men are being used to a greater extent, in other words people who are more able to act independently. These individuals are also, to a greater extent, younger men with no previous convictions who act increasingly independently. A straw man will, for example, pass a background check and be able to have a certain degree of contact with the authorities, in contrast to the more classic front who may be a substance abuser with no knowledge of operations. This category also includes fronts from other countries, the classic type of front and relatives or friends who act as representatives.

Entrepreneurs whose business concepts involve economic crimes are people who commit economic crimes intentionally and in a planned manner. Economic crimes are a key aspect of their entire business concept, and their crimes are often serious and systematised. Examples of crimes and criminal plans that this type of player uses include selective purchase tax crimes, black market labour linked to false invoices, investment fraud or salary guarantee fraud, and VAT carousels. This category of player also uses set-ups to an ever greater extent that involve foreign companies, accomplices or accounts. The skill and ability of these types of criminals in connection with committing economic crimes is deemed to be higher. For example, they are skilled at adapting according to how the legal system acts or in line with changes to legislation. This category of player may be repeat offenders who devote themselves solely to economic crime year after year, but such players are relatively few in number.
Within the specialists/facilitators group, there are individuals with some type of expertise who can enable others to commit crimes. For example, these could be estate agents who overvalue properties, bank employees who authorise bank loans or employees at foreign exchange offices who fail to report suspected money laundering. This category also includes lawyers, business brokers, factoring companies and tax advisors. Specialists/facilitators constitute a small number of individuals, but because they may have key competences and appear in multiple investigations and plans at the same time, they are an important component in order for other criminals to commit crimes.

In addition to individuals who act as specialists or facilitators through their training and/or their position, there are also individuals who provide advice or training on the best ways of committing economic crimes. There are signs that unprofessional facilitators are offering packaged companies that are set up with fronts, identities, accounts, addresses and manuals for the use of false/forged invoices, false/forged statements of income and so on. Established cheats also act as registered agents for companies with foreign representatives.

In summary, no new types of player or major differences within the types of player have been noted, with the exception of the use of more fronts/straw men with no previous convictions.

3.5.1 Serious organised crime

In order to build up a picture of strategic individuals within the cross-authority focus on serious organised crime, they have been surveyed from a perspective of economic crime. These individuals are deemed to have a capacity within violence, unlawful influence and businesses with criminal operations, but in this section the focus is solely on their involvement in economic crime. The strategic individuals are highly diverse, and act within different industries and with varying modus operandi. It is therefore hard to identify any common denominators. All these individuals are involved in one way or another in economic crime and business activities, in some cases personally but primarily through fronts/straw men.

These individuals carry out different types of economic crime, such as the use of black market labour, different types of false accounting and tax crimes, as well as false invoicing and selective purchase tax crimes in relation to alcohol and tobacco. There are also instances of straightforward asset stripping and a number of crimes relating to economic crime, which are not investigated in the first instance by the Swedish Economic Crime Authority. Examples of such crimes include various types of fraud, including credit fraud and cheating in connection with tax deductions for home improvements.

The industries affected can be anything from the traditional problematic industries of construction and restaurants to gambling operations and driving schools. Other examples of industries include treatment centres, the media, property, independent schools and businesses operating within energy, cleaning and staffing services. The strategic individuals are found within accounting and legal advice, as well as the property and entertainment industries.

The strategic individuals within serious organised crime have links to business operations, either personally or through fronts and straw men, sometimes in the form of relatives. These business operations generate income via the legal sale of goods or services, but are also used for money laundering and as a cover for illegal activities.

A superficial inspection of several of these activities gives the impression that they are legitimate, primarily through the illegal activities being combined with legal activities. Some of these individuals should be regarded as classic economic criminals, while others are instead
mixed criminals. Some of them have made the transition from other forms of crime to become an underlying player within economic crime.

The proceeds from these strategic individuals’ criminal actions come either from completely illegal activities, such as drug dealing, or from what would normally be legal activities where inaccurate reporting of taxes and charges forms the basis for criminal actions. On the whole, there is little knowledge of these individuals’ assets, but it is likely that some of them have assets and/or activities in countries other than Sweden. These individuals generally tend to live to a meagre or average standard, and none of them have a high profile or flaunt any assets. Other individuals probably act as the owners of properties and vehicles, making it harder to inventory their assets.

3.6 Where does the money go?

One of the authority’s focus areas is the proceeds of crime, and it has a stated ambition of ‘going after the money’. This status report therefore maps where the money from criminal activities goes to a greater extent. It can be noted that there is confusion regarding terms, and that there is currently a wide variety of different terms and expressions that can be linked to proceeds of crime. People therefore talk about property or money that derives from crime, proceeds of crime, criminal earnings, earnings from crime, etc. A dividing line can be identified between criminal policy terms and penal terms, and there is also a range between terms that only describe the relationship between property and crime and terms such as ‘criminal earnings’, which assume a financially measurable result in the form of a profit.

Against this background, the term ‘proceeds of crime’, in its broadest definition, could be described as follows:

Financially measurable property, value or benefit that someone comes by or has been furnished with through crime or criminal activity.

The above definition has been used in the case studies. It should also be noted that only a few of the Swedish Economic Crime Authority’s investigations involve the proceeds of crime or work carried out in connection with the proceeds of crime. This is partly attributable to the general tendency that those against whom proceedings are brought lack assets. Another reason why it is difficult to trace and recover the proceeds of crime is that the investigations are often carried out long after the crime was committed, by which time the money has often disappeared, for example through bankruptcies.

In particular, it is hard to know what money that is transferred abroad is used for. In this respect, there is a lack of international cooperation. Above all, however, investigations are made more complicated by the fact that legal aid is time-consuming and that money is transferred between different countries, which means that legal aid must be requested from more than one country. It should also be noted that although there are currently agreements in place with a large number of countries for exchanging information about assets, there is often scarce information available to share due to circumstances such as inadequate registers. The evidential and investigative value of this information may therefore be low.
Three case studies on the proceeds of crime

A perpetrator appropriates money from bank loans on the sale of overvalued properties. The bank is misled into granting credit to buyers who are unable and unwilling to repay the loans. Through the properties being overvalued, the perpetrator obtains the difference between the actual sale price and the credit granted. In order to carry out this criminal plan, a number of costs arise. These include paying fronts/buyers, agents’ fees and obtaining false employer’s certificates. At least seven people receive money via cashier’s cheques that derives from the perpetrator’s fraudulent actions. The perpetrator himself probably does not make very much, but commits crimes to boost his everyday finances.

A representative from a shell company normally draws a salary of around SEK 15,000 per month. After losing a major customer, he withdraws funds of around SEK 94,000 for sale of inventories. He withdraws the company’s remaining liquid assets of around SEK 75,000 as his own salary the following month. The company is then declared bankrupt by the district court. The representative states that SEK 67,000 of the withdrawal has been used to buy a car which was subsequently signed over to a relative. Around SEK 40,000 was given to another relative in the form of a loan. It is unclear what the remaining funds were used for.

Perpetrators buy a lorry load of cigarettes for approximately SEK 800,000 direct from the manufacturer on site in an EU country. The manufacturer is a small player in the tobacco market. The quantity is around ten million cigarettes in packs containing either 19 or 20 cigarettes. The perpetrators then ensure that the cigarettes are transported to Sweden, where they are sold for around SEK 20-30 per pack, compared with the regular retail price of SEK 50-55 per pack. The perpetrators carry around large amounts of cash, do not have any assets themselves and live an apparently modest life in Sweden. However, they travel abroad where they spend the money on various forms of luxury consumption.

The entire proceedings take place within the context of a purely cash economy. The income is cash, and fronts and straw men are also paid in cash. An investment in a lorry load of cigarettes that is brought to Sweden and sold here can generate net returns of between five and ten times the money paid after costs have been deducted. Some of the cash that is generated by the sale is used to invest in new cigarette projects, for example buying lorries and companies with permits.

These case studies and other information show that one common denominator of the proceeds of crime is conversion into cash. The perpetrators carry out money laundering measures in order to be able to use the cash. In certain cases, the criminal activities constitute a purely cash economy in which both income and costs are dealt with in the form of cash. The new law on penalties for money laundering crimes therefore applies in a proceeds of crime context.

It can only be asserted in a few cases that the perpetrators make a profit that leads to an extravagant lifestyle or savings. In many cases, the proceeds of crime are consumed or shared between many accomplices. In some cases, however, it can be noted that the proceeds of crime are set aside for future use, or are invested in movable or immovable property. In other cases, the profits are consumed abroad while the perpetrators’ lifestyle in Sweden is characterised by
normal consumption. In conclusion, it should be said that regardless of whether or not the criminals obtain large sums of money, it is of the utmost importance to work to recover the proceeds of crime since the total sums that are withheld from the state are high.
4. CONCLUSIONS AND FUTURE DEVELOPMENTS

4.1 How has economic crime changed in recent years?
This year’s statistics show that the majority of suspects are small business owners with no previous convictions who, in most cases, have committed crimes as a result of ignorance or negligence, and here no real changes are noted. It should be mentioned that a year is a short period in which to discern changes in relation to trends, but the following tendencies have been noted in relation to organised crime.

Planned crime is tending to become increasingly complex, with more players and companies in various stages and often with foreign connections. The demand for expert knowledge is deemed to have grown. There is still systematic use of false documents in a number of different contexts. Fraud is reported to have increased in scope and also to have been refined in purely procedural terms, for example in connection with VAT fraud, i.e. tax crimes relating to VAT. The trend of fraud against society’s payment systems has continued as a result of taking advantage of and avoiding legislation and control systems.

4.2 How will it change in the future?
The development of economic crime depends partly on what society’s control functions are focused on and partly on the political decisions that are made. On the one hand, the control measures introduced within the field of selective purchase tax, money laundering and the construction sector will result in a greater risk of discovery and more reports being made to the authorities. On the other hand, however, the authorities’ capacity for insight and control is becoming less with the relaxation of rules and increased internationalisation. This places tough requirements on the Swedish Economic Crime Authority in terms of continuously monitoring social developments and analysing the effects that external factors have on economic crime. One example of an external factor that influences the authorities’ crime-fighting capacity is the abolition of the Data Retention Directive, which makes it harder to map the activities and contact networks of suspects.

The extent of volume crime, which includes crimes of negligence and everyday crime, is deemed to be growing. More companies are being started up, and more rules are being relaxed – such as postponed accounting and the abolition of the audit requirement – which means that there is a risk of an increase in crimes that are committed through ignorance and negligence. However, these types of crimes are not deemed to be becoming more complex.

When it comes to serious economic crime, those players that carry out planned crimes will continue to find niches and loopholes where they can make money. Certain criminals have a good ability to adapt criminal plans in line with the current legislation, the actions of the legal system and society’s control measures. The choice of organisational form will continue to be adapted according to the aim of the criminal plans and whom the crime is directed against.

Crimes within lucrative fields such as selective purchase tax crimes, VAT crimes and fraud are deemed to be continuing to rise. The rise in fraud applies to both pure fraud and fraud in combination with crimes from the Swedish Economic Crime Authority’s catalogue of crimes. In line with the growing number of international links in cases, legal aid will become increasingly significant. The combination of black market and legitimate operations will continue to increase. False certificates and stolen or false identities will also be used to a greater extent.
Multicriminal players are tending to shift towards economic crimes, as the risk of criminal proceedings is lower as a result of the opportunity to distance themselves from the crime through the use of fronts or straw men. As a result of this, there is a growing need for fronts who can pass background checks and who are able to act independently. It has been assessed that the use of fronts from other countries will continue unless legislative changes and tighter controls are introduced. Technological developments are also making it easier for criminals to distance and anonymise themselves, making it hard to prove the actual representation in investigations.