

# EPPO and EU Law

(Jean Monnet Centre of Excellence - STEPPO)



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## Topic 7 - THE EPPO PROTECTING EUROPEAN TAXPAYERS' MONEY FROM CRIMINALS

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**UE focus and relevance of EPPO action for anti  
money laundering in real estate market.**

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## WHY TALKING ABOUT REAL ESTATE MARKET?

- THE TERM REAL ESTATE MARKET MEANS THE SALE OR TRANSFER OF REAL ESTATE OF ANY TYPE SUCH AS HOMES, LAND, COMMERCIAL PREMISES AND SIMILAR, ACTIVITY THAT HAS AN IMPORTANT IMPACT ON THE COUNTRY'S ECONOMY.
- INTERNATIONAL ECONOMICAL AND POLITICAL SITUATIONS MADE DIFFICULT TO BUY REAL ESTATE PROPERTIES FROM AVERAGE PEOPLE (MORTGAGE RATES INCREASE MADE IT VERY DIFFICULT).



## WHY TALKING ABOUT REAL ESTATE MARKET?

- THE DOMESTIC REAL ESTATE MARKET HAS RECENTLY SEEN AS ACTORS FOREIGN BUYERS (ESPECIALLY BIG COMPANIES AND INVESTORS), THAT MEANS THAT MANY TRANSACTIONS OCCUR BETWEEN CITIZENS OF DIFFERENT COUNTRIES (NOT ONLY IN THE BIG CITIES AS MILAN OR ROME, BUT ALSO IN TURIST DESTINATIONS OF THE «BEL PAESE»)
- JUST LOOKING TO THE DOMESTIC MARKET, DURING THE PAST YEARS, FROM COVID-19 ONWARDS, ORGANIZED CRIME HAD AN IMPORTANT ROLE IN ACQUISITION OF REAL ESTATE PROPERTIES (NOT ONLY RESIDENTIAL, BUT ALSO RETAIL, HOTELS AND FOOD SERVICE ACTIVITIES), FROM PEOPLE IN A DIFFICULT ECONOMICAL SITUATION.





## IS THE REAL ESTATE MARKET A RISK MARKET FOR MONEY LAUNDERING ?

*Real estate is as attractive to criminals as it is to any investor (prices being generally stable and likely to appreciate over time) and is also functional (the property can be used as a second home or rented out, generating income). Real estate also provides a veneer of respectability, legitimacy and normality.*

*Through interviews with relevant stakeholders, the study confirmed that tax evasion using the real estate sector is cited as a significant problem in many Member States.*

*Conclusions: Based on the strong evidence gathered by law enforcement agencies that **real estate is frequently used in money laundering schemes** and because their services may be combined with those provided by other non-financial professionals, the **level of money laundering threat related to real estate is considered as very significant (level 4).***



## EPPO COMPETENCE IN FIGHTING MONEY LAUNDERING

The European Public Prosecutor's Office (EPPO) is an independent public prosecution office of the European Union. It is responsible for investigating, prosecuting and bringing to judgment crimes against the financial interests of the EU. These include several types of fraud, VAT fraud with damages above 10 million euro, money laundering, corruption, etc.

The EPPO is also competent for offences regarding the participation in a criminal organisation – if its focus is to commit a PIF offence.

when:

- the criminal offences have been committed, **in whole or in part, within the territory of one or several participating EU Member States**;
- the criminal offences have been committed **by a national of a participating EU Member State**;
- the criminal offences have been committed **by a person who was subject to the Staff Regulations or to the Conditions of Employment of EU staff**





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# CASES INVOLVING REAL ESTATE MARKET (FROM 2023 EPPO ACTIVITY REPORT)



## VAT REVENUE FRAUD

By the end of 2023, approximately 20% of the offences investigated by the EPPO concerned the most serious forms of VAT fraud, connected with the territory of two or more participating EU Member States, and causing total damage of at least €10 million. This type of fraud is predominantly committed through the use or presentation of false, incorrect or incomplete VAT-related statements or documents. The involvement of 'missing trader' companies, and sophisticated criminal organisations acting across borders, are defining elements

## EPPO raids criminal organisation reaching to Latin America in probe into €25 million VAT fraud<sup>46</sup>



In November 2023, at the request of the EPPO in Madrid (Spain), 13 searches were conducted and 24 people were arrested, in a probe into a €25 million VAT fraud involving the trade of IT equipment, orchestrated by an organised crime group with a reach extending to Latin America.

According to the investigation, the suspects used a maze of companies based in Spain, in other Member States and in Latin America to funnel intra-community acquisitions into the suspects' primary company, which acted as the distribution point. The fraudulent scheme took advantage of EU rules on cross-border transactions between its Member States – as these are exempt from VAT – by using a chain of missing traders, which would

vanish without fulfilling their tax obligations. Other companies in the fraudulent chain would subsequently claim undue VAT reimbursements from the national tax authorities.

The evidence also shows that the suspects used structures and security measures specific to organised crime groups, including electronic communication applications used to prevent detection by the police, and that they channelled large sums of illicit profits into the acquisition of real estate.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.





## MONEY LAUNDERING

Around 5% of the offences investigated by the EPPO by the end of 2023 involved money laundering derived from the aforementioned criminal offences that the EPPO is competent to investigate. Money laundering is the process by which criminal proceeds are 'cleaned', so that their illegal origins are hidden. Criminals use underground financial systems to process transactions and payments away from surveillance mechanisms. Money laundering in ongoing EPPO investigations mainly appears in VAT fraud cases.

## Investigation Admiral uncovers massive VAT fraud and money laundering scheme, with estimated losses of up to €2.2 billion<sup>50</sup>



In December 2023, the EPPO in Porto (Portugal) filed an indictment against 12 suspects and 15 companies in the context of an investigation into a massive VAT fraud scheme extending to over 30 countries, code-named 'Admiral'.

The defendants are alleged to have used a network of companies to evade the payment of VAT while trading in electronic devices, by using fraudulent invoices and tax declarations. The fraudulent scheme took advantage of EU rules on cross-border transactions between its Member States – as these are exempt from VAT – by using a chain of traders that did not fulfil their tax obligations.

The suspects are also accused of money laundering, by having channelled the illicit VAT profits to bank accounts

in non-EU countries. According to the evidence, in order to hide the criminal origin of the profits, the defendants invested in real estate and in the sale of luxury products in the EU, amassing fortunes in the process. A private banking manager is understood to have helped the group to avoid the rules in place against money laundering.

If found guilty, the defendants face up to 25 years in prison. The estimated damage in Portugal alone amounts to over €80 million. The estimated losses to the EU and to the national budgets under the Admiral investigation could amount to €2.2 billion.

The investigation of this case continues, and the suspects are entitled to the presumption of innocence.





## Recovery of the proceeds of criminal activity

In 2023, **475 recovery actions** took place in **19** of the participating Member States (Austria, Belgium, Croatia, Czechia, Estonia, Finland, France, Germany, Greece, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Romania, Slovakia and Spain). In total, the EPPO **requested more than €1.53 billion** to be **seized**, and the **seizure of €1.5 billion was granted**.

This represents 22 times  
the budget of the EPPO in 2023.

Final confiscations of more than €60 million were ordered by courts in definitively resolved cases.

The single highest seizure was more than €9.9 million in monetary instruments. In eight cases, a total of more than €7.5 million was recovered before trial. Extended confiscation was requested in 22 instances, in order to restrain assets towards which some protective measures had been taken by the suspects to avoid confiscation. The EPPO made extensive use of value-based confiscation to enable recovery. The EPPO also made several confiscation requests (41) with the intention of securing possible civil actions.



The main assets seized were bank accounts, followed by real estate properties, vehicles, cash as well as shares, cryptocurrencies, gold and silver bars, paintings and luxury items. Criminal merchandise – such as electronic devices, machinery, equipment, clothing products, household goods, toys or e-bike components – has been seized and removed from the market, effectively depriving the criminals of the benefit of their illicit activities.





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## HOME RENOVATING FUNDS (PNRR)

**MAIN ATTENTION AREAS  
RELATED  
(ONGOING SUBJECTS IN UE)**

**LAND AND REAL ESTATE REGISTRY  
REFORM  
AND BENEFICIARY OWNER REGISTER**

**CONSTRUCTIONS AND  
ORGANIZED CRIME**

## Real Estate Agents role on the global Market







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## EPPO TRANSNATIONAL INVESTIGATION AND PROSECUTION CONCERNING FIGHTING MONEY LAUNDERING IN THE REAL ESTATE MARKET MEANS



1. ADVANTAGE  
FOR LEGAL  
MARKET AND  
ECONOMY

2. ADVANTAGE FOR  
PROFESSIONALS ON  
THE MARKET (LOCAL  
AND GLOBAL)

3. EFFECTIVENESS OF  
COOPERATION FOR ALL  
OBLIGED ENTITIES

*NO TRANSACTION CAN COST YOUR REPUTATION*



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*You might remember Giovanni Falcone for his famous motto, 'follow the money'. The EPPU makes it possible to go one step further, and 'focus on the money'.*

Laura Codruța Kövesi  
European Chief Prosecutor