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Smuggling as a Form of Illegal Evasion of Public Revenue

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Abstract

In modern societies today complete legal descriptions of criminal offenses, related to the illegal audit of public revenues usually appear as tax evasion, customs fraud and smuggling. It will be the crime of smuggling phenomenon, as one of the forms of illegal evasion of public revenue, specifically is criminal offense, which is mainly related to the illegal transfer of goods, across the customs line, avoiding customs controls. Smuggle can also be people, weapons, medicines, drugs, information and data, artwork, plants, animals, software, copyrights, etc. The paper points to the smuggling of goods and services as the growing phenomenon of classical and organized crime. The aim of this work is that through the observation of case studies of the phenomenon of smuggling luxury goods, point to one of the modus operandi forms of smuggling luxury goods from EU countries, on the territory of Bosnia and Herzegovina. The paper also presents the results of scientific tests and research, legal and regulatory restrictions in Bosnia and Herzegovina, to combat illegal evasion of public revenue.

Keywords: smuggling of goods and services, crime, public revenues, research

JEL classification: E26, H26, K14

Introduction

The subject of this work involves researching the field of security of public revenue, while pointing to the danger and threat of illegal evasion of public as a result of criminal activities of smuggling luxury goods. The paper presents the results of scientific research impact of legal and regulatory restrictions for effective and efficient investigation and / or control activity in order to combat smuggling and tax evasion. Also, the paper presents a case study, practice, referring to the smuggling of luxury goods and avoiding payment of public revenues. In creating this paper works from Čolaković (2015), Brummerhoff (1996), Čolaković et al. (2015), Kukić (2015), Musgrave (1993), Petrović (2007), Simović-Nišović (2010), Smajić (2010), Šikman (2010), Trputec, Z. (2007; 2010) were used.

Case example cigarette smuggling (routes Italy, Croatia, BiH)

Facility descriptive analysis in this paper is a specific criminal activity of smuggling goods high tariffs, as well as the analysis of behavior of a group of people through a practical case smugglers. The phenomenon of smuggling of goods of high tariffs, is studied using the method of introspection through the study of real cases, while protecting the anonymity of employees, as well as other listed methods of scientific investigation and research. Data collection was conducted through review of documentation and personal observations of researchers. This case is characterized by a specific unique form of conducting criminal activities and is a typical criminal

case, trafficking a form of luxury goods in Bosnia and Herzegovina. Within the research we used the available factual chain of evidence for their own case, as well as evidence outside of the observed cases that are related to his past. Presentation use practice case study is an important form of expression for understanding the methodology of criminal fraud, in order to be able to properly design a *modus operandi* to predict the future, which would ultimately mean preventive action to prevent such forms of smuggling. Through this report you can see a chronological overview of the whole case, as well as events in which the investigator indirectly participated as an independent observer. Primary preparation for the implementation of smuggling carried out on the territory of Bosnia and Herzegovina, and the process of smuggling included the transit smuggling route through Italy, Croatia and Bosnia and Herzegovina. The process of smuggling is designed and implemented in three phases. The first phase is characterized by a comprehensive preparation, the second phase of the complex operation of deception with the help of false documents in two EU countries and the third phase is to perform smuggling. The first phase involved the preparation of performing a complex operation. In the preparatory phase of an organized criminal group of smugglers prepared the ground for the implementation of the criminal plan. This includes the selection of material and personnel capacity of criminal groups, plan and organize the implementation of criminal activity and crime control process execution, in order to prevent the error, at any stage of execution of criminal activities.

Figure 1

Starting itinerary of smuggled goods



Source: Author

To perform such complex criminal operation, the group was trained personnel and material, corruptive capable and had to provide corrupt helpers from the public and state structure of Bosnia and Herzegovina.

Furthermore criminal group provided false documentation and legal means of transport as well as money from the criminal sphere for the purchase of high duty goods, which are smuggled into Bosnia and Herzegovina, to avoid paying of public revenues. At the beginning of the operation they hired a driver legally registered transport, which raised the necessary amount of money to a bank in northern Italy, for the false company he bought high duty goods on wholesale, by presenting false documents.

Goods purchased in this way, they smuggled bypass route through Italy. Driver of legitimate company in which he was an employee has transferred the goods to transit the maritime port of Ancona. Selected smuggling via legal means of

transport, using false documentation non-existent companies from Bosnia and Herzegovina, smugglers had no problems transporting such goods in Croatia. Given that this was a luxury goods transit through Croatia to Bosnia and Herzegovina as a country of destination, Croatian customs authorities carried out a procedure for the transit of goods through high tariffs through that country. It entailed monitoring the departures and transportation luxury goods until leaving the Croatian. The analysis of the transit documents transit procedure has been implemented in accordance with the usual procedure of customs authorities of the Republic Croatian.

Figure 2
Transit through Italy



Source: Author

Thus, it can be concluded that the smugglers quite well designed; planned and carried out phase transport operation through the EU, and without no problems and smooth, by using existing legislation they perform the transportation operation, preceding the act of smuggling.

Figure3
Smuggling of goods of high tariffs in Bosnia and Herzegovina



Source: Author

The procedure execution smuggling was carried out repeatedly in almost identical way. Since the transport of goods of high tariffs was offline in the customs procedure of Croatian, truck is immediately reported to the customs authorities of Bosnia and Herzegovina. After an excellent deliberate smuggling scenario, truck with high tariff goods is coming out of the Croatian; it would be followed by false documentation on the export of completely different goods which is not high duty. Thus, a truck laden

with high tariff goods freely passed through the customs control at the border crossing into Bosnia and Herzegovina, while at the border crossing officially declared false documentation of the goods that are not high duty, for example, metal goods, metal and etc.

The last and final phase of the smuggling was carried out with the help of corrupt authorized customs officers, official authorities of Bosnia and Herzegovina. The analysis of the relevant documentation was found ten cases of identical smuggling in a different time period, in a period of six months. At the border crossing of Bosnia and Herzegovina, has always been the same shift of customs officers. Investigative activities it was found that the truck with the smuggling of goods, in the way of the border crossing, to the destination customs office, was changing trailer with high tariff goods, for the second trailer in which goods was not high duty. In this way, the legal authorities of Bosnia and Herzegovina were damaged for millions of import duties, excise duty and VAT.

Methods

In this paper, the research process used and applied scientific research methods: observation, analysis, synthesis, classification, specialization, induction, deduction, normative method, historical method, methods and case studies, content analysis, testing methods, survey, comparison and introspection, as well as scientific and theoretical knowledge, relevant literature and contemporary business practices. Analysis of the frequency and percentage of attitudes relevant sample of respondents, is set in relation to the evaluation of alternative responses of the scale Likert type.

Main hypothesis:

Hypothesis-H1:says: Customs legislation and legal framework affecting the efficient and effective controls to combat smuggling.

Auxiliary hypothesis -H1-1says: The existing autonomous customs legal and regulatory restrictions in Bosnia and Herzegovina it is necessary to adapt EU customs legislativi.

Basic collection of 254 competent survey respondents from all law enforcement agencies in Bosnia and Herzegovina and the Entities, are divided into five subsets according to specific jurisdiction and organizations in which they are employed to implement the law. In connection with the same, in order to provide complex analysis of the responses and mutual comparison of opinions and positions, they formed five subsets of respondents. For further study subjects were divided into subsets: UIO/UNOBiH, FBiH Tax Administration, Tax Administration, Ministries of Security and law enforcement agencies, prosecutor's offices in Bosnia and Herzegovina

Results of research and testing

In accordance with the principles of scientific and professional objectivity and neutrality, there are presented the results of scientific research in the context of the present threshold of the main and auxiliary hypothesis in this paper. By applying scientific methods, we examined the factors that affect the efficiency of the investigation and / or control the phenomenon of smuggling activity, as important factors influencing the decision on the initiation of investigative activities or control by prosecutor and / or management of competent law enforcement agencies in Bosnia and Herzegovina. So it was tested to what extent the claims of competent subjects relating to customs and tax legislation and legal framework, as well as legal

and regulatory restrictions on the same issue in Bosnia and Herzegovina, influence and contribute to the prevention of crime of smuggling.

The research methods in this research were conducted tests for the auxiliary and main hypothesis. For this test was used parametric one-sided t-test on the right side on the basis of a sample. This test is used in order to determine if the sample average value significantly different from a single value. In this study, we tested whether the average value of the answer to the question observed significantly higher than 3. For all testing issues in the context of the set of auxiliary hypotheses, zero (H_0) and alternative (H_1) hypotheses are set as follows: $H_0: \mu \leq 3$; $H_1: \mu > 3$, where μ is the average value of the answer to the question tested. Since the answers to the questions measured on a scale type Likert (of 1- Strongly disagree to 5 strongly agree). The benchmark average value of 3 was taken as a threshold value that divides the answers into two groups: average disagreement with the position in the asked question (answer less than or equal to 3, which are 1 and 2) and an average agreed with the set in question (answer greater than 3, which are answers 4 and 5). All tests were done at the level of 5% statistical significance ($\alpha = 0.05$).

Table 1

Legal and statutory restrictions affecting control combating smuggling in BiH

Answers	Number of respondents	Percent	Valid percentage	Cumulative percentage
Not important	1	0,4	0,4	0,4
Neither important nor unimportant	6	2,4	2,4	2,8
Important	121	47,6	47,6	50,4
Very important	126	49,6	49,6	100,0
Total	254	100,0	100,0	

Source: Author

Analysis of the frequency and percentage of attitudes relevant sample of respondents, as a part of the paragraph „Legal and statutory restrictions affecting the control of anti-smuggling in BiH“, shows that 247 or 97.2% of the respondents considered important or very important this claim. The frequencies, which can be considered with a negative attitude on this issue, are not substantially expressed and cumulatively account for only 2.8% of respondents.

Table 2

Tax and customs legal and regulatory restrictions BiH it is necessary to adapt to the customs legislation of the EU

Answers	Number of respondents	Percent	Valid percentage	Cumulative percentage
Neither important nor unimportant	4	1,6	1,6	1,6
Important	119	46,9	46,9	48,4
Very important	131	51,6	51,6	100,0
Total	254	100,0	100,0	

Source: Author

Analysis of the frequency and percentage of attitudes relevant sample of respondents, as a part of the paragraph „Tax and customs legal and regulatory restrictions BiH, it is necessary to adjust the customs legislation of the EU“, shows that

250 or 98.4% of the respondents considered important or very important this claim. The frequencies, which can be considered with a negative attitude on this issue, are not substantially expressed and cumulatively account for only 1.6% of respondents. In accordance with the results of tests and research in this paper, it is noted that the auxiliary hypothesis and confirmed that confirmed the main hypothesis.

Conclusion

The results and findings of scientific research conducted indicate that the phenomenon of trafficking is specified as the crime which mainly relates to the illegal transfer of goods across the customs line, avoiding customs controls. Through the observation of actual case studies of the phenomenon of smuggling high tariff goods, case studies, the paper presents a modus operandi form of smuggling high tariff goods from the EU, on the territory of Bosnia and Herzegovina. Based on the obtained results of the tests and studies, it is concluded that in Bosnia and Herzegovina exists undeveloped customs and tax institutional situation. Such a state that does not conform to EU legislation, theoretically and practically favours the development of smuggling, customs and tax crime in BiH. Indicators and descriptive results of the present study confirm that the local legal and statutory restrictions negatively affect the control of anti-smuggling in BiH, and that such restrictions must be removed, so that the customs legislation closer and adjust the EU. In accordance with the results of the research also concludes that corruption is a necessary ally of organized crime groups, for the realization of the criminal activities of smuggling.

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Edin Čolaković is doctor of science management, sustainable development field. Master of Science Management of sustainable development, security field since 2012. He graduated from the Faculty of Economics in Mostar in 1986. He is employed in the Ministry of Finance/Finance of the Federation of Bosnia and Herzegovina, FBiH Tax Administration, Central Office in Sarajevo, Mostar OOI and an Assistant professor at the University of Modern Sciences CKM Mostar. Head of the Department for enforcement and compliance with customs and tax regulations from 2005-2012., And before that the head of the RIU Mostar. He worked under the supervision of counsellors CAFAO, EUPM, EUFOR. Participant more than 30 seminars and workshops in collaboration with the US Embassy in Sarajevo, UNDP BiH, CAFAO BiH, EU - IOM BiH. US Department of Justice - ICITAP, US Customs and Border Protection, US Department of America of DICP, WMD Crisis, IPA 2008 Twinning Project and many others. In a significant study visits organized by the EU CAFO BiH, 2002 resided in London, and in 2008 and 2010, in Bucharest, organized by the EU OLAF Hercule II program. In 2015, published 15 scientific papers. The author can be contacted at edin.colakovic.mo@gmail.com.