

English summary

Economic crime – trends in a number of important offence categories

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Published by:

National Council for Crime (BRÅ)

P.O.Box 1386

SE-111 93 Stockholm

Sweden

Reference:

BRÅ-report 2001: 20

ISSN 1100-6676, ISBN 91-38-31894-6

Available in Swedish from:

Fritzes kundservice

SE-106 47 Stockholm

Sweden

The term economic crime is usually employed to refer to offences committed by businesses; crimes motivated by profit that take place within the framework of a legitimate business enterprise. In Sweden, in practice this means tax offences, accountancy offences and offences against creditors. These are the types of crime that account for the largest volumes of offence reports and convictions in the area of economic offending. More recently, attention has also come to be focused on insider trading offences, but the number of such crimes that are reported and lead to convictions remains very low. In other countries, the emphasis has instead been placed on illegal price cartels, large scale frauds against other businesses and consumer fraud. Occupational crimes are also counted as economic offences by some. These are defined as crimes committed within firms and other organisations by employees or other agents where the firm is the victim of the offences, such as embezzlement and breaches of trust, for example.

One difficulty with attempts to describe economic crime trends is that many of these offences are largely uncovered only in connection with the work conducted by various public sector agencies. This means that levels of registered crime in large part constitute more a reflection of the activities of these agencies than they do a reflection of actual crime levels. In order to correctly portray such crime trends, methods

other than the use of official crime statistics are therefore required, such as economic calculations of levels of tax evasion, interviews with actors working in the hidden economy, victim surveys of business owners etc.

During the latter part of the 1990s, the number of reported tax offences, accountancy offences and offences against creditors has fallen. Two important factors in the explanation of this reduction are a drop in the number of audits conducted by the tax authorities and the substantial drop in the number of bankruptcies that followed the large increase in bankruptcies witnessed during the early 1990s. It is in the context of tax authority audits and bankruptcy investigations conducted by the official receiver that the most common economic offences are uncovered.

Numbers of reported tax offences have increased

In the year 2000, however, the number of reported tax offences increased despite the lack of a corresponding increase in levels of auditing. What appears to have happened is that the motivation for tax officials to report suspected tax offences has increased. Today, a large part of these criminal investigations are conducted by the tax authority's own tax offence units, and officials reporting offences get the feeling that something is 'being done' about the incidents they report. At the present time there are 130 criminal investigators working at these tax offence units – most of whom are experienced tax auditors – with the intention being to increase this number to 200 in the near future. This has meant that it has become more natural for the tax administration's investigators and auditors to think in terms of tax crime and the reporting of tax offences in the conduct of their daily control activities. The trend ought therefore to be one of a continuing increase in the number of offence reports – with occasional fluctuations – until a point of saturation or balance is reached. This trend may to some extent be offset however by the fact that there are now fewer tax auditors conducting the work that may lead to the reporting of offences, since many auditors have been transferred from the supervisory work of the tax authority over to the tax offence units.

The numbers being reported for obstructing tax controls will continue to increase, since this offence was recently reclassified as no longer being subsidiary to accountancy offences. Since the tax authority devotes a large amount of resources to focused financial and special audits, the number of serious criminal investigations involving grave offences will remain high.

Economic calculations conducted over the course of the last few decades to assess levels of tax evasion do not indicate that any major changes have taken place. There have on the other hand been certain structural changes as a result of societal change and the introduction of new systems of control.

Globalisation and trends in the field of information technology are putting pressure on welfare state systems with a high tax base such as that of Sweden. The number of opportunities to manipulate income as a means of minimising tax payments is increasing. As a result of the events in New York on September 11th, however, the international battle against tax paradises has taken a new turn. In the aftermath of these events there will also be new legislation and increased levels of international collaboration with a focus not only on terrorism but perhaps above all on organised crime, but also economic crime. As a conservative assessment, it seems reasonable to assume that tax legislation will to some extent be adapted to meet the demands of the world around us and at the same time levels of control are likely to increase. The possibilities for control and the conditions for combating crime will continue to develop.

Accountancy offences and
insider trading offences on the
increase, embezzlement on the decline

A general economic slow down in combination with the so-called dot-com collapse, intensified by the terrorist attacks of the 11th September, have meant that the trend in numbers of firms going bankrupt has once again turned upwards. As a consequence, the numbers of suspected offences reported by official receivers will also be subject to an increase. These reports will primarily relate to accountancy offences and other crimes against creditors.

The increased levels of attention focused on insider trading during the 1990s will probably be maintained, which will involve increases in the resources being devoted to uncovering suspected offences in this area. The EU is at present discussing the use of administrative sanctions as a means of complementing the penal regulation of this field. If such sanctions are introduced, the number of cases will increase dramatically.

Economic crime not only includes offences committed by businesses, but offences where businesses are the victims of offences committed by other firms - typically frauds - and by employees inter alia in the form of embezzlement. There are no statistics over how many registered fraud offences are directed at businesses. Numbers of reported cases of the crime of embezzlement have fallen from the levels witnessed during the mid 1990s and during the 1980s however.

Economic crime is now
being combated more effectively

Recent years have witnessed improvements in the levels of efficiency

with which reported economic offences have been dealt with by the agencies involved in combating this form of crime. Several factors have contributed to this. More resources have been made available through the establishment of the tax offence units and the Swedish Economic Crimes Bureau. In addition, there are fewer offences to investigate since the number of reported offences has declined. Crimes of a less serious nature that are admitted by the offender and where the sanctioning scale includes a suspended sentence may now be dealt with outside of the court system by the more simple means of a fine issued by the prosecutor. Certain of the agencies involved in investigating offences have a system for dealing with less serious offences in a certain order, which increases the number of cases being brought to a conclusion. Although a number of changes have taken place over recent years, the most important of these from the point of view of effectiveness is probably the establishment of the tax offence units at the tax authority. These tax offence units are now to be found all over the country, and on the basis of numbers currently employed, they have meant an increase of 130 in the number of people involved in the investigation of tax offences.

As a result of research and intelligence gathering activities, knowledge on how different forms of crime are related to one another will increase and spread. It is no longer reasonable to regard economic crime purely as an area comprised for the most part of tax offences, accountancy offences and offences against creditors. The first consequence of this trend will be that the economic crime concept will come to be related to a broader range of activities that will also include occupational crime, frauds between businesses and various forms of corruption. The second consequence will be a new emphasis on the relationship between economic offences and other types of crime, particularly organised crime.

A knowledge based approach to activities is becoming the guiding principle for efforts to combat economic crime. For the moment this primarily involves the work conducted by police at the local level. The crime prevention perspective will therefore become an increasingly important component in future economic crime fighting strategies. This is also true of intelligence gathering activities. The business community will come to take a more active role in preventing crime and raising the level of business ethics. A national crime prevention program may also be introduced in the area of economic crime, involving several elements, including more "crime-proof" legislation, preventive legislation, and control activities guided by preventive strategies as well as improved trading controls and business ethics within the business community itself.