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# IMF Working Paper

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Tax Evasion from Cross-Border Fraud:  
Does Digitalization Make a Difference?

by Emmanouil Kitsios, João Jalles, and Geneviève Verdier

I N T E R N A T I O N A L M O N E T A R Y F U N D

## IMF Working Paper

Fiscal Affairs Department

### Tax Evasion from Cross-Border Fraud: Does Digitalization Make a Difference?<sup>1</sup>

Prepared by Emmanouil Kitsios, João Jalles, and Geneviève Verdier

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#### Abstract

How can governments reduce the prevalence of cross-border tax fraud? This paper argues that the use of digital technologies offers an opportunity to reduce fraud and increase government revenue. Using data on intra-EU and world trade transactions, we present evidence that (i) cross-border trade tax fraud is non-trivial and prevalent in many countries; (ii) such fraud can be alleviated by the use of digital technologies at the border; and (iii) potential revenue gains of digitalization from reducing trade fraud could be substantial. Halving the distance to the digitalization frontier could raise revenues by over 1.5 percent of GDP in low-income developing countries.

JEL Classification Numbers: H3, H26, O3, C23

Keywords: panel data, fiscal policy, carousel fraud, e-government, technology, taxation, digitalization, tax evasion

Author's E-Mail Address: [EKitsios@imf.org](mailto:EKitsios@imf.org); [JJalles@iseg.ulisboa.pt](mailto:JJalles@iseg.ulisboa.pt); [GVerdier@imf.org](mailto:GVerdier@imf.org)

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