

Risk profile guide

**Money Laundering and
Terrorist Financing**

**VAT Fraud Schemes
in the Hydrocarbons
Distribution Sector**

March 2026

This risk profile guide on the prevention of money laundering and terrorist financing has been prepared for informational and guidance purposes only.

Its use does not exempt obliged entities from the strict fulfilment of their legal obligations, nor from applying their own risk analysis and assessment criteria in accordance with their activity, structure, and business model. Responsibility for the correct application of anti-money laundering and counter-terrorist financing (AML/CFT) regulations, as well as for any implementation or interpretation of the contents herein, lies exclusively with the obliged entities.

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General context

What is VAT fraud?

VAT fraud in the hydrocarbons sector is a form of tax evasion used by criminal organisations to obtain illicit profits through non-compliance with their tax obligations.

The typical modus operandi involves the trading of hydrocarbons within a tax warehouse by wholesale operators under a duty suspension arrangement and, therefore, without VAT or excise duty being chargeable.

The next step in the commercial chain is the removal of the hydrocarbons from the tax warehouse. This step is carried out by the entity acting as the extractor, which, once the product has been sold, becomes liable for the payment of VAT and the excise duties associated with that removal, despite not having borne VAT on acquisition. In cases of tax fraud, this extracting entity unlawfully benefits from the full amount of VAT charged to the purchaser.

Part of the illicit gain derived from this non-payment is reflected in lower fuel prices, resulting in unfair competition for compliant operators, while the remainder constitutes proceeds to be laundered by the criminal network.

What is crime as a service?

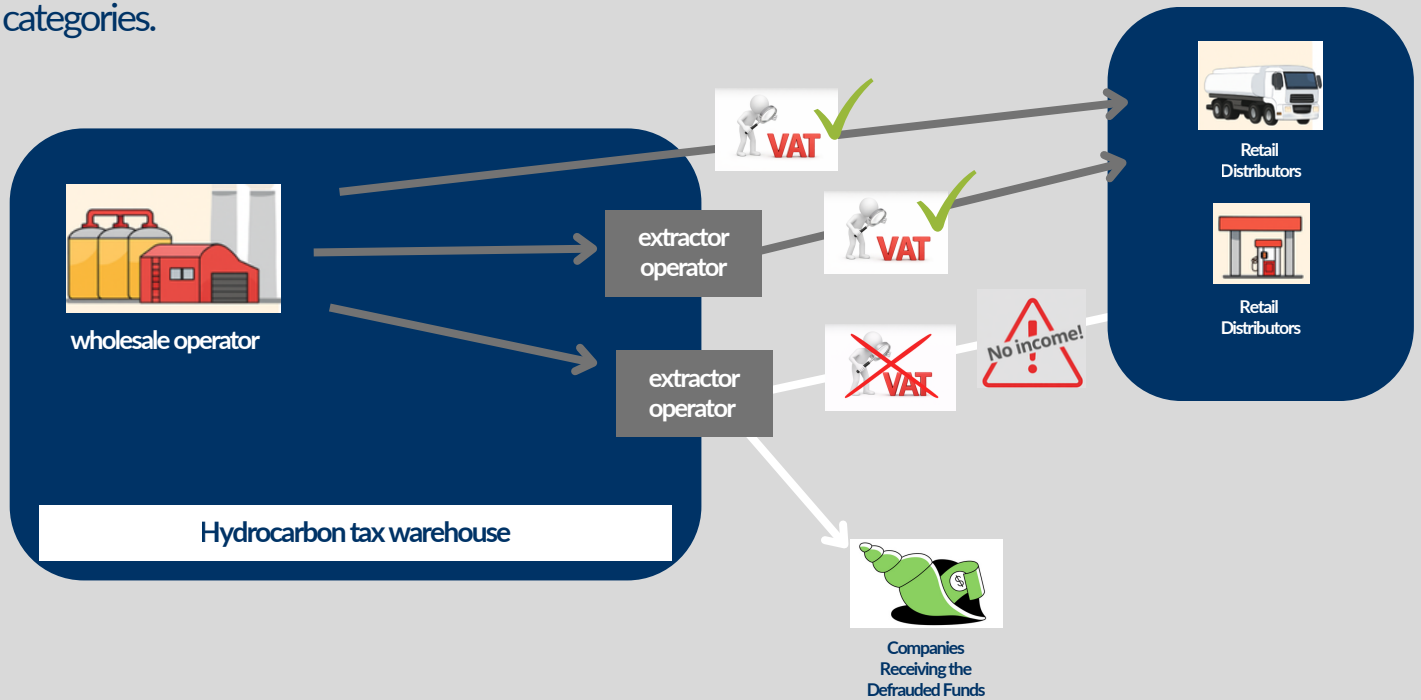
Links have been identified between these fraudulent schemes and other criminal networks, to which they offer their services as a means of money laundering. In doing so, they make available corporate, logistical and financial structures designed to create an appearance of legitimacy for the channelling of funds derived from illicit activities.

Why the hydrocarbons sector?

This sector is selected due to the high turnover of the product and the substantial financial volumes it generates. In addition, the tax treatment applicable to tax warehouses and duty suspension regimes creates areas in which criminal networks can operate with a high degree of opacity. Furthermore, the difficulty of tracing fuel—owing to its homogeneous nature and rapid circulation—weakens control mechanisms.

Risk indicators

Companies involved in hydrocarbon VAT fraud schemes can be grouped into five main categories.



GROUP 1

Tax warehouses

These are authorised facilities where excise goods are stored under a duty suspension arrangement, meaning that no tax becomes due until the goods are released.

Under the current regulatory framework, tax warehouses may be held secondarily liable for any unpaid taxes arising from the removal of hydrocarbons if they allow withdrawals by entities that are not registered in the Register of Authorised Tax Warehouse Extractors (REDEF).

In addition, from 1 February 2026, tax warehouses may not allow any withdrawals by operators that have not provided, in advance, a guarantee covering the related VAT liability.

Risk indicators

- Tax warehouses that undergo changes in ownership or show sudden changes in their usual operating patterns.

GROUP 2

Wholesale operators of petroleum products

These are companies authorised as such by the National Commission on Markets and Competition (CNMC). Under Law 34/1998 on the hydrocarbons sector, this authorisation allows them to sell hydrocarbons both to other wholesale operators (within the tax warehouse, VAT-exempt) and to extractor operators outside the tax warehouse.

They must be registered with both the CNMC and REDEF.

Risk Indicators

- Frequent changes in management or lack of relevant experience.
- Recently registered as wholesale operators in the CNMC register.
- Most incoming funds come from shell companies rather than directly from distributors, making it harder to link the operator to those entities.

GROUP 3

Extractor operators

These are companies that purchase fuel from the operator within the tax warehouse (VAT-exempt) for subsequent sale to retail distributors. They are the entities that commit tax fraud by failing to pay the VAT due when the fuel is sold outside the tax warehouse. They are used by criminal organisations as intermediaries in what appears to be a pre-arranged transaction between the operator and the distributors. Since the amendment to Article 43 of Law 34/1998 on the hydrocarbons sector, which entered into force on 28 March 2024, extractor operators may only sell hydrocarbons to final distributors. They are not allowed to sell to wholesale operators or to other extractor operators.

They must be registered in REDEF.

Risk indicators

- Recently incorporated companies with minimal share capital and a very limited organisational structure.
- Managed by nominee directors who lack the profile and experience normally expected to handle large financial volumes.
- Financial and tax irregularities in their accounts, such as VAT discrepancies.
- Fictitious or non-existent commercial activity.

GROUP 4

Retail Distributors (“final consumers” under the law)

These are companies that purchase products from the operator for sale to end consumers. **Current legislation prohibits cross-sales between retail distributors.** They may be used to turn the fuel involved in the fraud into apparently legitimate sales.

Risk Indicators

- Evidence of real commercial activity.
- Fuel purchased at lower prices as a result of VAT not paid by suppliers (shell companies), reflected in the form of discounts.
- Directors claiming lack of awareness of the fraudulent activity

GROUP 5

Companies receiving the defrauded funds

These are domestic and international companies from different sectors unrelated to the hydrocarbons sector that receive the illicit funds obtained through the fraud in order to move them, with the aim of making their traceability more difficult.

Risk Indicators

- Limited staff, insufficient facilities, or activity that is inconsistent with the volumes handled.
- Links with other companies within the scheme, for example, access to their accounts from the same IP addresses or devices.
- Operation in high-risk sectors, such as second-hand vehicles, transport, jewellery and precious metals, advisory services, real estate, and leisure venues.

Coordinated Financial Prevention

Obligated entities are in a privileged position to detect suspicious operations. Once these have been identified, it is important that reports submitted to Sepblac include all the information gathered, together with a summary addressing the key questions of who, what, when, where, how and how much (amount), where applicable. This summary, together with the information provided in risk maps by entities reporting through CTL and the proper identification of all parties involved in the operation, makes it possible to prioritise and link operations reported by different obliged entities, as well as to identify trends.

The use of network analysis tools has allowed the identification of natural and legal persons with a high degree of interconnection, facilitating the prioritisation of subjects for the development of operational analysis. It is within the framework of these analyses that recurring risk indicators are identified and subsequently incorporated into the strategic analysis model.

In recent years, various legislative changes have been introduced in Spain with the aim of preventing the use of the hydrocarbons sector to carry out tax fraud practices. In particular, the following should be noted:

Royal Decree-Law 8/2023 of 27 December, amending Law 34/1998 of 7 October on the hydrocarbons sector, which prohibits sales between retail distributors.

Royal Decree 249/2023 of 4 April, regulating the establishment of the Register of Extractors of Tax Warehouses (REDEF) for products included within the scope of the Hydrocarbons Tax.

Law 7/2024 of 21 December, which requires VAT (110%) to be paid or guaranteed prior to the release of fuel from the tax warehouse.

Ministerial Orders HAC/1495/2025, HAC/1496/2025 and HAC/1497/2025, which allow for the activation of the VAT guarantee and advance payment system established by Law 7/2024.

