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Money Laundering and Other Forms of Financial Crime

Kristina Milanovic

Abstract

Financial crime has had a huge growth in the last 30 years. It has a negative dynamic phenomenon that is present all over the world, while having an impact on all spheres in countries. All these points to the fact that financial crime is very unpredictable, with the main goal being to gain as much power or profit as possible based on the illegal methods and approaches that are being applied. Financial crime can be committed by companies, organized crime groups or individuals. Citizens, companies, government structures and, in extreme cases, entire national economies can be victims of this criminality. There are several reasons for the increase in financial crime, the first of which is the low prison sentences for the perpetrators, then the impossibility of proving the acts, but also their insufficient regulation of protection and control measures by the state. Bearing in mind the danger of this trend of growth of this type of crime, there is a clear need for states to stand in the way of the development of financial crime. In this paper a wide literature has been used relevant for the topic.

Keywords: financial crime, tax evasion, money laundering, organized crime, business

Defining the Term Money Laundering

Etymologically, the term money laundering means the legalization of capital acquired in a criminal way, that is, financial transactions for the purpose of concealing the true origin of money and other forms of capital on the market. Namely, the term "money laundering" comes from the ownership of chains of laundries by the mafia in the United States as early as the 1930s, when certain criminal groups earned large amounts of cash from extortion, prostitution, gambling or from selling alcohol (Ministry of Finance (2010) „Прирачник за спроведување на мерки и дејствија за спречување на перење на пари и финансирање на тероризам од страна на субјектите" - Skopje, p.14).

Money laundering is a serious problem in society as it endangers the financial system. This term includes activities aimed at legalizing money that has been acquired by committing criminal acts. Money laundering is a special type of organized crime, the purpose of which is to bring the money or property acquired in an illegal way into legal circulation, that is, to wash away their criminal origin and to join them to other funds in the system, which will make it impossible distinguishing between illegal and legally acquired wealth (Kambovski V. & Naumovski P. (2002) „Корупцијата-најголемо општествено зло и закана за правната држава" Vlabor –Skopje, p.53).

There are many definitions to define this term, but what is essential to define this term, that is to simplify it, is the conversion of ``black money'' into ``green money'', (Williams F, Транснационалниот организиран криминал и националната и меѓународна безбедност-глобална проценка, Безбедност бр.3/96 p.24) this definition does not include all the elements to accurately let's get closer to this problem. As a basic definition, this is the one that is more specifically defined in the Vienna Convention of the UN of 1988. The precise definition that is key to solving the problem more easily is that money laundering is "a process through which profits that are reasonably believed to originate from criminal activity are transported, converted or incorporated into legal financial flows, with the aim of concealing their origin, source, movement or ownership, enabling these funds to appear as legal, and persons involved in criminal activities to avoid legal consequences from such action."

Money laundering is a type of ``business'' that ranks third in the financial sector. Money launderers are interested in investments of dirty money, with which they achieve high profits not only within the borders of a country or domestic money or

international money, with which they make high profits and turn the money into legitimate money. This phenomenon is directly related to the activities of transnational criminal organizations, which are aimed at acquiring huge financial profits. States and financial institutions such as banks, brokerage houses, stock exchanges, investment funds and other financial institutions, are connected in the global mechanism of exchange that is increasingly out of the control of the states (Bošković, 2005).

When organized crime invests in legal businesses, it dominates the market and causes high prices, extortion, corruption, all in order to ensure not only legitimate but also maximum profit (Ashlatakovska B.T., ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje , p.88).

Criminal activity generates huge sums of money, which the individual or group must find a way to control these funds, without raising doubts about the legality of their origin. Criminals do this by disguising sources, changing the form and type of assets, or transferring them to environments where they will not attract attention (Bošković, M. (2009), "Pranje novca kao kriminološki i krivično-pravni problem", Novi Sad, p.13).

According to the Criminal Code of Republic of North Macedonia, in Article 273, the term money laundering means:

- putting into circulation, receiving, receiving, exchanging or dispersing money of greater value that was obtained by a criminal offense or which is known to have been obtained by a criminal offense.
- selling, giving away or letting in another type of turnover property or objects of greater value obtained by criminal offense, or buying, accepting as a pledge property or objects that are known to have been obtained by committing a criminal offense.

Money Laundering Techniques

The sources of income themselves dictate the money laundering techniques. If the income arises as a result of trafficking in drugs, weapons or people, it is clear that they are expressed in cash. Money laundering with the help of cash is part of the so-called traditional techniques. Despite the advances in technology, money laundering still dominates other techniques. Entities involved in money laundering are increasingly directing their funds to non-bank financial institutions (because banks take preventive measures in the fight against money laundering). Here we

have in mind offices, insurance companies and the like. In addition to the traditional, modern money laundering techniques are also found in practice. This practically includes all non-cash money laundering methods. The most significant can be mentioned: use of payment cards, loans, securities, insurance policies, etc. The use of credit in the function of money laundering practically represents a combination of traditional and modern techniques. In this case, the subject does not place the dirty money, but leaves it as collateral to get a loan. If the loan is approved, such an entity, in order to launder the money, will not return the loan. After the expiration of the term in which the loan was supposed to be returned, he activates the left security, that is, he brings the deposited illegal money into his financial flows. In that way, the entity that launders money acquires legal financial assets in the form of credit. Money laundering using securities is one of the newer techniques. Bearer shares that are transferred on the stock exchange from one subject to another, without identification, are particularly represented. Money launderers usually buy such securities from fake companies, that is, from the so-called shell companies, which they then sell on the formal or informal securities market.

Insurance companies with their products can also be targeted by money laundering entities. The most typical example is when the insurance policy is concluded for a significantly higher amount than the real value of the object. If the subject came to that object in an illegal way, he will try to find an insured case and collect from the overvalued insurance policy.

Stages of Money Laundering

The process of turning illegal money into legal money takes place through three stages. The process of money laundering differs from country to country, depending on its legal framework and the possibility of tax evasion. Although there is diversity in this process, the literature dominates the opinion that the process of money laundering consists of three basic stages, namely (Trajkovski, 2011),

1. placement;

2. concealment;

3. integration.

The first stage or placement represents the removal of funds that are directly related to the criminal activity, that is, the funds that are placed physically and the cash that has been acquired from criminal activity is being distributed. The placement represents the sale of dirty money and is considered one of the most important

stages in the money laundering process. This means buying goods or depositing the money in financial institutions with one goal, which is to separate illegal money from legal money. "Smurfing" operation is most often used, whereby the amount of money is divided into smaller amounts among individuals and companies, and then it is turned into legal money and transits in the next stage.

The second stage, concealing the money, means separating the illegal profits from their source by creating covert financial transactions in order to hide the trail and ensure anonymity (Ashlatakovska B.T. , ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje , p.88).

The transfer of money of illegal origin is done by electronic transfer. Considering that over 500,000 transfers worth over $1 trillion are made worldwide every day and that the majority of those transfers are legitimate, it is really difficult to determine whether such a transfer of funds constitutes money laundering or not (Bošković, 2005).

The third phase is integration, it represents ensuring the legitimacy of illegally acquired wealth. This phase is the last phase in the process if the previous ones are successful; it ensures the incorporation of the laundered money into the legal economy. So the goal of the integration is to return the laundered money to the owner who further uses it for his own needs. At this stage it is impossible to distinguish between the legal and illegal property.

These are the three stages of the money laundering process, they can appear separately or together as a single whole. Money laundering refers to the criminal activity of criminals or groups who launder the dirty money, acquired during the commission of a criminal offense, in order to lose any trace (Ashlatakovska B.T. , ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje , p.87). If illegal money turns into legal and passes the three stages, it is very difficult to prove and detect this criminality.

Figure 1

Placement	Concealment	Integration
Cash is used to buy valuable goods, property or investments	Resale of assets	Sales revenue appears as net

International Legal Framework for Combating Money Laundering

A fundamental problem in the fight against money laundering in international frameworks is the general globalization and opening of financial systems, markets and communications (Guihlem F. (2005). Prospering on crime , money laundering and financial crisis, Working paper no,9, p.2).

In order to suppress this negative phenomenon, the international community approaches normative regulation of the rights and obligations of individual countries, by adopting international legal acts that incriminate the activities of this criminal activity and which will narrow the possibility of a quick transfer of dirty money across world financial flows (Donato, M. 2004 Combating black money: Money laundering and terrorism finance, international cooperating and the G8 role).

The international basis for the incrimination of money laundering is the UN Vienna Convention on Illicit Traffic in Narcotic Drugs and Psychotropic Substances from 1988. This convention contains a definition of this term which is also the basis for definitions in national legislation. It is the first document regarding the criminalization of money laundering and confiscation of criminal proceeds as one of the complex measures to prevent drug trafficking. The Strasburg Convention is also dedicated on the punishment of money laundering regardless of how the money was obtained. It also contains an obligation to the states and appropriate measures for the prevention and repression of this phenomenon (Ashlatakovska B.T. , ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje, p.91). Here we should also mention the 40 recommendations from the FATF and the Palermo Convention, which are the basic international documents.

The FATF is the top international institution that sets standards in the fight against money laundering and terrorist financing. The task of this group is to develop and encourage national and international policies to prevent money laundering. FATF sets standards by establishing recommendations, and the efficient implementation of FATF recommendations promotes the stability of national financial systems, progress (of member states) in the application of anti-money laundering measures and actions, analyzes money laundering techniques and determines prevention measures as their adequate response, encourages the application of established standards and more (http://www.fatf-gafi.org/publications/high-risk-and-other-monitored jurisdictions/documents/public-statement-june-2019.htm). To set the basic concepts (standards) that could have a wider application for the purposes of determining and developing national policies to deal with problems arising from

money laundering, the FATF first established Recommendations in 1990, which later in 1996, In 2003 and 2012, revised them, that is, modernized them and made them adequate to the current techniques of money laundering and terrorist financing. The effective implementation of the FATF Recommendations encourages the stability of national financial systems; financial institutions increase the resistance of involvement in money laundering schemes. money and terrorist financing, states meet mandatory international obligations by which they avoid unnecessary sanctions and avoid becoming a "paradise" for crime and other things. FATF also acts in another direction, that is, it monitors the progress of member states (but also those member states of regional bodies) in the implementation of established recommendations. In parallel and in continuity, the FATF, within the framework of the international cooperation review process, identifies the countries that have not implemented the recommendations of the FATF and produce the risk of money laundering and terrorist financing. Based on the results of the international cooperation review process, at each meeting the FATF publishes a Public Notice on countries that have strategic deficiencies in the anti-money laundering system (http://www.ufr.gov.mk/?q=node/34).

All of these international legal acts almost equally determine the characteristics of the criminal offense of money laundering, which consists of undertaking activities such as the transfer of property, concealment, possession, use, participation or use of property and association due to the commission, attempt and many other activities that are deliberately undertaken.

The Process of Money Laundering in The Republic of North Macedonia

In our country, this activity of criminal action is more and more expressed. There is a system of regulations that are harmonized with international acts, all with the aim of suppressing this form of crime. The Republic of North Macedonia, even if it is not a member of the European Union, has nevertheless ratified the conventions. which we emphasized above as one of the most important that have been ratified by almost all countries in the world.

The most important legal acts that can be singled out are:

- The Law on Prevention of Money Laundering and Other Proceeds of crime;
- Law on banks;
- Criminal Code.

The Law on Prevention of Money Laundering and Other Proceeds of Crime

This law regulates the measures, actions and procedures that entities and competent authorities and bodies take for the purpose of detecting and preventing money laundering, related criminal acts and terrorist financing (Code for Prevention of Money Laundering and Other Proceeds of Crime and Financing of Terrorism (Службен весник бр. 04/08, 57/10, 35/11, 44/2012 and 43/14). The Law on the Prevention of Money Laundering and Other Proceeds from a Criminal Offense and the Financing of Terrorism defines the entities that are responsible for taking measures and actions to prevent money laundering and the financing of terrorism is redefined, i.e. as new entities are internet casinos being introduced. As well as the obligations for entities related to identification are brought in line with the FATF standards related to the identification of the client, the authorizer and the beneficial owner. Regarding the measures and actions for detection and prevention of money laundering and financing of terrorism in accordance with the Law on Money Laundering, it is emphasized that related predicate crimes and financing of terrorism are defined by international standards - the recommendations for prevention of money laundering and financing of terrorism determined by the FATF (Code for Prevention of Money Laundering and Other Proceeds of Crime and Financing of Terrorism (Службен весник бр.. 04/08, 57/10, 35/11, 44/2012 and 43/14).

The National Strategy for Combating Money Laundering is a strategic document that establishes all the elements that will upgrade the system for preventing money laundering and terrorist financing in the Republic of Macedonia. The following should be highlighted as goals of the National Strategy: (Министерство за финансии (2005) „Национална стратегија за борба против перење на пари и финансирање на тероризам“, Скопје, pp. 21).

1. Harmonization of domestic legislation with international regulations, experience and standards for preventing money laundering and terrorist financing;
2. Preventing the use of the financial system for the purposes of money laundering and terrorist financing;
3. Improvement of the regulation and supervision over the implementation of the legislation;
4. Increasing the level of efficiency of the work of law enforcement agencies;
5. Creation of an efficient system of inter-institutional cooperation;
6. Strengthening the technical capacities of the Directorate for Prevention of Money Laundering.

The Phenomenology of Money Laundering

Phenomenology studies the external manifestations of criminality as a real phenomenon (Arnaudovski Lj. (2007) „Криминологија "2nd of August – Shtip, Skopje, p. 241).

According to the broader concept accepted by a larger group of authors, phenomenology is a "science of the manifestations of crime", which studies its external manifestations, describes the ways of its execution, elaborates the typology of perpetrators, etc. Another concept is the one according to which phenomenology is determined as "a special area of criminology, which studies the emergent forms, structure, structural changes and dynamics of criminality." (Milutinovich M. (1985) „ Криминологија "VI изданје, Савремена администрација, Belgrde, p.161).

Money laundering is not a new phenomenon - criminals have always tried to hide the proceeds of their criminal activity. Although for a long time this activity was considered a marginal problem, after the expansion of the drug trade, money laundering became an integral part of any serious criminal activity. The proceeds of crime, which are mainly in the form of cash, must be "cleaned" so that they can then be used again by criminals. Money laundering involves a series of financial operations (deposits, withdrawals, transfers, etc.) that ultimately result in dirty crime money becoming clean money that can be used for legitimate business activities. In fact, "cleaned" dirty money is "recycled" through legitimate businesses, and from there it enters the legitimate market and spreads throughout the economy (http://www.ufr.gov.mk/files/docs/KNIGA_mak.pdf).

The problem with the "dark figure" of money laundering is particularly serious, because more criminal behaviors that cause huge damage to social assets and goods are very difficult to detect, and their perpetrators are increasingly difficult to prosecute. The difficulty in detection can also be sought in certain political influences at the time of the execution of the crimes, because their perpetrators are placed in responsible positions as political persons and are in a certain way protected from criminal prosecution. This is also contributed to by the slow adoption or failure to adopt appropriate legal regulations on the established which would determine the origin of the property and the way of acquiring wealth in the state, when ordinary citizens barely survive. A significant circumstance for the high "dark number" of money laundering in terms of its timely detection is the "evasion in the performance of regular institutional controls", on the operation of enterprises,

institutions and other legal entities, and all this is due to close, political, friendship or family ties. However, fear among the competent persons who are in charge of implementing such controls also stands out as a problem, and there is also the fear of revanchist. As an important element for the "dark figure" of this criminality, there are various pressures that law enforcement agencies (the police, the public prosecutor's office and the court) suffer in the discovery process, starting from a variety of threats, as well as an example in their workplaces from political powerful and newly minted businessmen. This results in the discovery of peripheral criminality, what is allowed in the public through the media or some kind of request is made to the police or the public prosecutor. Such work usually satisfies the interest of the public, but the real crime remains undetected, which requires a longer period of time in the clarification of criminal activities, cooperation with several professional services and the involvement of expert and professional police personnel in the process of clarifying and documenting material evidence (http://eprints.ugd.edu.mk/20958/1/Organiziran.pdf).

Etymological Features of The Emergence of Money Laundering

Ethology determines the sources of criminality in society, penetrates into the factors that cause it and analyzes the personality of the delinquent.

There are general, individual and special factors that affect economic crime. As general factors, they arise from general, social, political, legal, social factors that are also determined in the structuring of society and its functioning. The particular ones are also determined in society, but at a lower level and the individual ones are tied to the personality of the perpetrator of the criminal offense for his physical, mental properties and intellectual abilities as well as the characteristics that determine his status in society. These are the factors that make the perpetrator's personality special, professional, resourceful, able to use his position to indulge his self-interested and hedonistic passions (Arnaudovski Lj. (2007) „Криминологија" 2nd of August – Shtip, Skopje).

The perpetrators of economic-financial crime are significantly different from the perpetrators of crimes from classic criminality due to the existence of certain properties that they possess in a certain period of time and are in a situation to carry out those criminal activities. Basically, they know the regulations that regulate the area of their professional work and direct criminal activity to the margins of permitted behavior, using certain legal loopholes, vagueness and frequent amendments and

additions to legal regulations. It is necessary to take into account that this type of crime is committed by people who, with their creativity and ability, and often with their authority, strive to conceal their criminal behavior as long as possible. In this way, the powers that they have and with the abuse of which they, in fact, cover up the criminal activity, help them to a great extent (Arnaudovski Lj. (2007) „Криминологија" 2nd of August – Shtip, Skopje).

The etymological side of money laundering is an important element that should be studied through the causal connection of the subjective side of the delinquent's personality with his criminal behavior. Simply put, the question arises "Would a person be a criminal if he were not in a state or situation that he could abuse to obtain an illegal property benefit for himself or for another". The causal relationship with this criminality, the external influences – the workplace, the position, the entrusted work based on the law, etc. of the perpetrator, on the one hand, with the characteristics of his personality and motives, on the other hand, are a very important element that should be studied through the criminal cases that have been conducted or are still in the process of discovery, clarification and proof before the law enforcement authorities in our country. Of course, an important element is the situation, the possibility of criminal behavior in causal connection with the perpetrator's motive and his criminal aspirations.

Prevention

The establishment of an effective anti-money laundering system implies the application of national and international measures and regular monitoring of their application, whereby it is necessary for each country to build and develop appropriate legislation, respecting international standards. International cooperation, the mutual exchange of data, the exchange of experiences in the field of prevention and detection of money laundering is the main factor for building and establishing an efficient and functional system. The rapid growth of markets allows money to travel quickly, making money laundering more and more complex. Furthermore, it is necessary to develop a regional assessment of money laundering threats (possible by integrating national assessments or forming work teams). One of the key steps in the fight against money laundering is adequate training of persons who should implement the prevention of money laundering. The separation of the perpetrators of criminal acts from illegally acquired property and property benefits, that is, the confiscation of criminal proceeds, also plays a significant role in the suppression

of this phenomenon. This measure is quite significant from the point of view of money laundering, considering that the concern of criminals about whether their criminal proceeds can be confiscated is a basic factor that motivates them to carry out this criminal activity. Therefore, the existence of an effective confiscation system is a necessary component of anti-money laundering measures in any country (Taseva S. (2003) „Перење пари", Skopje, p. 125, Data pons).

At the same time, it can be noted that the obligation to confiscate refers to instruments and objects or property whose value corresponds to these objects, to any criminal offense (Strasbourg Convention for Money Laundering, Detection, Seizure and Confiscation of Criminal Proceeds adopted by the Council of Europe in 1990).

The system for implementing the prevention of money laundering is composed of three pillars:

The first pillar consists of entities that have a legal obligation to take measures and actions to prevent money laundering and terrorist financing.

The second pillar is the Financial Intelligence Agency, which is an administrative authority for financial intelligence that acts as an intermediary between the subjects, on the one hand, and the investigative authorities, on the other.

The third pillar consists of the law enforcement authorities - the Public Prosecutor's Office (the department for organized crime and corruption), the Ministry of Internal Affairs (the department for organized crime and all organizational units for the suppression of organized crime) and the Ministry of Finance (the Financial Police Administration and the Customs Administration), but also cooperates with the public revenue administration, although it is not an authority that directly participates in the investigation of crime, but indirectly participates in a large number of cases for the identification of reported and undeclared or taxed income, money and property of suspected legal and natural persons.

The fight against money laundering is important because it prevents criminal money from entering economic systems.

Tax Evasion

Defining the Term - Tax Evasion

Historically speaking, the development of this crime "tax evasion" stems from the development of modern criminal legislation that regulated the general concept of tax evasion (Popovich I. (2012), Пореска утаја у нашем праву., p.6). In all social, that is, political systems, in the past and today, there was and is resistance to the payment of public revenues. Citizens should be aware that taxes are the most important form of public income and one of the most important means of redistribution of national income to different subjects and in different forms of consumption, at the same time taxes are becoming more and more important and in most countries they occupy over 40% of GDP, which means a huge share, and in some countries they amount to half of the Gross Domestic Product (Hristovska B. & Spasova T. Анализа на праведно одданочување, (2017), Analitica; Balkan Monitoring Public Finances p.3).

Violation of the constitutional principle, and avoidance of payment of established taxes and other similar prescribed duties by taxpayers, or deliberate violation of tax regulations, cause negative effects that can be a risk to the national economy and its growth, and also lead to in question and the implementation of a large number of state functions. The central place among economic crimes is occupied by the crime of tax evasion. Tax evasion is a basic fiscal crime that is criminalized as a crime in our legal system (https://www.pravdiko.mk/wp-content/uploads/2018/12/KRIVICHNOTO-DELO-DANOCHNO-ZATAJUVANE.pdf).

Tax evasion represents an organizational form of criminal activity in a country, that is, a type of fraud. We are talking about a criminal act that involves the presentation and non-declaration of property as well as the acquired income. In fact, tax evasion refers to opposition to the prescribed legal system of taxes in a country and the same applies to other contributions for which an appropriate obligation should be settled, normally determined accordingly by law. Therefore this form of financial, organized crime needs to be implemented with appropriate legal regulations, thus determining its criminal-legal protection, from which obligations for the payment of contributions and taxes are determined.

Article 279, paragraph 1 of the Criminal Code of Republic of North Macedonia, states that "Whoever, with the intention of avoiding full or partial payment of tax, contribution or any other duty to which he is obliged by law, gives false information about his income or about the income of the legal a person, objects or other

facts of influence for determining the amount of such obligations, or a person who, with the same intention, in the case of a mandatory report, does not declare income, that is, an object or other fact of influence for the determination of such obligations, and the amount of the obligation is greater value, will be punished with imprisonment from six months to five years and a fine (Article 279, paragraph 1 of the Criminal Code of the Republic of Macedonia). If the amount of the obligation from paragraph 1 is significant, the offender will be punished with imprisonment of at least four years and a fine (Article 279, paragraph 2 of the Criminal Code of the Republic of Macedonia). It is a criminal offense when someone intentionally avoids the full or partial payment of the tax, contribution or any other duty to which he is obliged by law, provides false information about his income or other facts of influence to determine the amount of such obligations or reports less or did not report income (http://www.kaunt.mk/Home/Page/21).

Characteristics and Method of Tax Evasion

The basic characteristic of this criminal offense is the realization of illegal property benefit by avoiding, concealing or otherwise preventing the payment of the obligations regulated by a specific law for a natural or legal person to the state. This is one of the ways in which subjects get money. the budget of the state is not complete, and the state suffers direct damage, and thus the citizens, both on a collective and individual level, as a result of several individuals who are perpetrators of this type of crime (Ashlatakovska B.T. , ,,Економско казнено право`` - Авторизирани предавања , FON University –Skopje , p.115).

According to the definition of this crime, its basic elements are the object of protection, the method of execution, prevention, the forms of guilt and the prescribed sanction. The basic features of this crime are of a complex nature, in terms of the incrimination – the blanket nature of the disposition and the objective condition of the incrimination, and in terms of the protection of the object of criminal protection – the alternatively prescribed methods of execution. The structure of this crime is distinguished by its complexity, conditioned by the blanket character of the disposition of the norm, that is, it is a delict with a blanket nature (http://karlicic.rs/osvrt-na-krivicno-delo-poreska-utaja.html).

The object of protection of this criminal offense provided for in our Criminal Code is the tax system itself.

A subject can be both a legal entity and a natural person, but the key is that only a person who appears as a taxpayer. Depending on the overall situation and

depending on the state of the specific criminal case, certain persons may be direct perpetrators, other persons may appear as helpers, accomplices, co-perpetrators or instigators (https://www.pravdiko.mk/koi-se-najchestite-danochni-izmami/).

The execution of this work can be done in two ways:

1. The first form is by avoiding, in whole or in part, the payment of tax, contribution or other duties by providing false data about income, objects or other factors that are of influence in determining tax obligations, which represent a form of tax fraud;

2. The second way is by not reporting income that is required to be reported, that is, an object or fact that has an impact on the determination of tax obligations (Ashlatakovska B.T. , ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje , p.115).

The main offense appears in these two forms as tax fraud and the second as non-reporting of facts relevant to taxation.

The objective condition for incrimination is determined by the fact that the amount of the obligation is of a higher value. Here we have in mind the obligation whose payment has been avoided during one year. If the offender avoids the payment of tax for several years, there may be a continued crime, provided that the avoided obligation exceeds the higher value every year. The qualified form of the basic offense as an objective condition of incrimination requires that the amount of the liability be significant (Kambovski V. and Tupanchevski N. (2011) ,,Казнено право –посебен дел``, 2nd of August – Shtip, Skopje, p. 370).

The subjective nature of the crime includes special intentions of the executor or another person to avoid full or partial payment of tax, contribution or other duties for which he is obliged by law (Kambovski V. and Tupanchevski N. (2011) ,,Казнено право –посебен дел``, 2nd of August – Shtip, Skopje, p. 370).

The legal nature of the act includes the intention as an element and that is the direct intention, because the legislator states that for the existence of this act the intention to avoid purposeful or partial payment of tax should be confirmed (Ashlatakovska B.T. , ,,Економско казнено право`` -Авторизирани предавања , FON University –Skopje , p.116).

The crime of tax evasion must have its consequences, like any other crime. Without the consequence, there is no socially, that is, socially dangerous part, and thus no criminal act. Tax evasion in different ways leaves negative effects and creates harmful consequences.

The most common consequences are:

- Reduction of budget revenues
- Impossibility of current performance of separate state functions
- Encouraging fellow citizens to commit such a crime
- Creating an unrealistic picture of citizens' incomes

In all modern countries, this crime is too present, it has great significance, especially when it is connected with the crime of money laundering, and that on a large scale. The consequences also occur at the state level, so the state is forced, for example, to introduce new taxes to cover the budget deficit and so on. Also, on a social level, the social standard of the population is being violated (https://www.pravdiko.mk/wp-content/uploads/2018/12/KRIVICHNOTO-DELO-DANOCHNO-ZATAJUVANE.pdf).

Therefore, that is why it starts from the fact that in our country, the awareness of the citizens equally, about the payment of the tax obligation, has not yet been sufficiently awakened. In the period after the independence, the number of those who committed tax evasion was quite small and insignificant, but on the contrary, already in the following years, the number of committed crimes has increased significantly, and had negative consequences on the entire society.

That is why even today it is necessary to establish a growing judicial practice, which will be of great importance for the reduction of this crime. The following should be actively involved in the fight against tax evasion: the Ministry of the Interior, the Courts as well as the Public Prosecutor's Offices, which will contribute to reducing this type of crime through prescribed measures and laws.

Finally, it is necessary to ensure all methods and ways in the fight against tax evasion. Particular attention should be paid in the presentation of this crime, where all state authorities and institutions should be involved, in order to reduce this negative phenomenon.

Preventive measures to be taken:

- Creating a competent, efficient, highly motivated tax administration
- Permanent support of the administration with modern equipment for detection and prevention of tax offenses
- Mutual cooperation between tax authorities and other state authorities

- Rigorous control of the implementation of the regulation in the field of payments, records and accounting
- Improvement of the general tax culture and tax morale of the population
- Reducing the tax burden within reasonable limits
- Neutralization of the factors that contribute to the formation of resistance to the payment of taxes.

It is characteristic that this type of crime particularly affects those countries that are in transition, because it is precisely the tax and its timely execution that is very important for the stabilization of such a country.

A separate form of evasion is international legal tax evasion. Protagonists of international evasion try to reduce their tax liability by moving capital to another country. The affected countries have two methods available to prevent international evasion: taking autonomous measures (domestic legislation) and conventional arrangements by concluding international agreements or inserting special clauses in bilateral agreements to prevent double taxation.

Analysis

Figure 1

Crimes against public finances, payment transactions and the economy	total	total known perpetrators	women	rejected application	discontinued investigation	stopped investigation	submitted indictment	total unknown perpetrators
Total	376	309	38	56	-	34	219	67
Money laundering	3	3	2	-	-	-	3	-
Tax evasion	109	109	13	11	-	28	70	-
Counterfeiting money	65	23	5	2	-	3	18	42
Other	116	111	21	-	-	-	90	5

Reported Adults According to That Crime, Type of Decision and Gender

Figure 2

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
596	543	620	472	493	510	310	344	419	376

Perpetrators of crime against public finances – from 2008-2017 (http://www.stat.gov.mk/)

Analysis of Money Laundering Threats

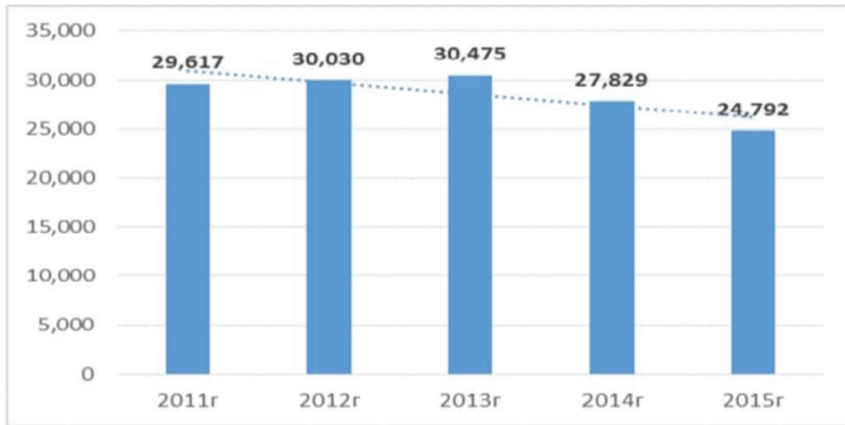
The Republic of North Macedonia is not a regional financial center. Although the majority of transactions are carried out through the banking sector, cash transactions represent a significant part of the total amount of transactions and they mostly take place outside the banking sector.

The Republic of North Macedonia is located in the central part of the Balkan Peninsula and is a crossroads of the east-west, i.e. north-south corridor, which enables an increased flow of people through the territory of the Republic of North Macedonia on the one hand, but also an increased flow of illegal goods through the territory of the Republic of North Macedonia. The fact that some of the neighboring states of the Republic of North Macedonia are source countries for certain illegal products, primarily drugs and excise goods, domestic and foreign criminal groups use the territory of the Republic of North Macedonia as a transit territory, but also as a final destination country for those illegal goods. The Republic of North Macedonia is a transit country for human trafficking and smuggling of migrants from areas with high migration to Western European countries.

The total number of registered crimes in the Republic of North Macedonia is decreasing.

Figure 3 display the total number of registered criminal acts in the Republic of North Macedonia in the period 2011-2015.

Figure 3



Total Number of Registered Criminal Acts in The Republic of North Macedonia in the Period 2011-2015

The number of registered crimes "money laundering and other proceeds of crime" ranges between 6-12 per year, which represents about 0.02% of the total number of registered crimes. This is primarily due to the fact that law enforcement agencies do not conduct sufficient parallel financial investigations with criminal investigations in order to fully shed light on criminal cases, providing both evidence of the predicate offense and solid and irrefutable evidence of existence of money laundering and other criminal proceeds.

The analysis determined a medium level of money laundering threat in the Republic of North Macedonia. Money laundering in the Republic of North Macedonia is often associated with economic crimes, such as: abuse of official position and authority and tax evasion. In addition to these crimes that generate the highest profits from crimes, the illegal drug trade and illegal migration are also included.

In the investigated period 2011 - 2015, a period after the implemented reforms in criminal substantive and criminal procedural law, with the execution of criminal acts in the field of economic crime, the total damage amounts to over 13.5 billion denars or about 220 million euros. The total number of crimes registered in the Republic of North Macedonia is decreasing, the number of crimes that most often generate income from crimes is constantly increasing (Проценка на закани од организиран и сериозен криминал 2015, МВР на РМ (http://www.mvr.gov.mk/Upload/Editor_Upload/publikacii%20pdf/SOCTA_v_2.swf).

Conclusion

Money laundering is a special type of organized crime, the purpose of which is to bring the money or property acquired illegally into legal circulation, that is, to wash away their criminal origins and join them with the rest of the funds in the system, which will make it impossible to distinguishing between illegal and legally acquired wealth. Money laundering is a serious problem in society as it threatens the financial system.

Money laundering and terrorist financing are related phenomena that are increasingly encountered in today's turbulent society. These activities compromise the stability, transparency and efficiency of the financial systems of both developed and developing countries. It is in the nature of the money laundering phenomenon to be shrouded in secrecy, which is an obstacle to performing any statistical analyzes on the extent of these problems.

The perpetrators of economic-financial crime are significantly different from the perpetrators of crimes from classic criminality and this is due to the existence of certain properties that they possess in a certain period of time and are in a situation to carry out those criminal activities. Basically, they know the regulations that regulate the area of their professional work and direct criminal activity to the margins of permitted behavior, using certain legal loopholes, vagueness and frequent amendments and additions to legal regulations. It is necessary to take into account that this type of crime is committed by people who, with their creativity and ability, and often with their authority, strive to conceal their criminal behavior as long as possible.

This paper also highlights tax evasion as a financial crime that is quite widespread. It is characteristic that this type of crime especially affects those countries that are in transition, because both the tax and its timely execution are very important for such a country. The most effective prevention of this crime is the separation of the perpetrators of criminal acts from the illegally acquired property and property benefits, that is, the confiscation of criminal proceeds. This measure is quite significant from the point of view of money laundering, considering that the concern of criminals that their criminal proceeds may be confiscated is a basic factor that motivates them to launder criminal profits.

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Codes

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