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# Briefing note

## **How is the European Public Prosecutor Office beneficial for a non-participating Member State?**

The EPPO is a transnational prosecution office covering 24 EU Member States. There are three non-participating Member States (Denmark, Ireland and Hungary) with whom EPPO cooperates as if it were a prosecution office of another Member State, via the EU / international judicial cooperation instruments.

The EPPO is in charge of investigating and bringing to national courts cases of fraud affecting the EU financial interests. This covers EU expenditure (funds and administrative expenses) and revenue (customs – antidumping, VAT).

The EPPO has a legal framework enabling unprecedentedly efficient cross-border investigations and prosecutions. What takes weeks and months in traditional judicial cooperation, takes hours and days inside the EPPO-zone. Moreover, through swift access to information in participating Member States, the EPPO gains an unprecedented overview of cross-border fraudulent chains. This is particularly relevant in customs and VAT fraud (notably carousel fraud), which is very profitable to organised crime (both from inside and outside the EU). In addition, the EPPO is specialised in economic and financial crime.

So how is the EPPO beneficial to a non-participating Member State?

Denmark benefits from the existence of EPPO from four main perspectives – budget, security, protection of Danish industry from unfair external competition and, in general, protection of rule of law in the EU.

From a budget perspective, this is linked to how the EU is financed. Member States decide ceilings of EU expenditure in the Multi-Annual Financial Framework. The EU revenue comes from customs duties (collected by Member States and passed on to the EU, with deduction of a flat fee), VAT revenue (statistically calculated from Member States' VAT receipts) and Member States contribution based on GNI.

As the EPPO fights customs fraud and VAT fraud, that means that it reduces criminality in this area and recovers assets. Less customs and VAT fraud means more revenue from customs and VAT. Ultimately, this means more national revenue (VAT) as well as a decrease in GNI contributions to the EU budget.

Moreover, when it comes to expenditure fraud, the EPPO investigations are the basis for the recovery of illegally spent amounts to the EU budget.



Finally, to be noted that Denmark, as a non-participating Member State, does not contribute to the financing of EPPO.

From a security perspective, given the most dangerous criminal organizations' heavy involvement in defrauding the EU budget (in particular on the revenue side) the EPPO is in the first line of the fight against organised crime in the EU.

As organised crime groups are involved in more crime areas, by gathering huge volumes of evidence in its investigations and sharing the elements falling outside the scope of its competence (such as drugs, trafficking in weapons, etc.) with the relevant national authorities, the EPPO also directly contributes to their fight against organised crime groups.

The EPPO also protects EU manufacturers from unfair competition from abroad. Taking advantage of the EU's weak enforcement of customs and anti-dumping duties, companies from third countries end up paying much less customs duties than they should. There is no official estimate of the "customs gap" but all indications point to many billions EUR per year. When they commit customs fraud, third country operators also commit VAT fraud (by undervaluing the goods or through carousel fraud). This is also into many billion EUR per year (total VAT gap resulting from fraud estimated at 50 billion EUR per year by Europol).

Take e-bikes. There have been several EPPO cases where Chinese e-bikes are declared as being produced in another country with lower duties. Or they are imported as "e-bike parts" which have lower duties than complete e-bikes. European e-bike manufacturers are therefore suffering from unfair competition.

Finally, as an independent prosecution office, the EPPO strengthens the rule of law in the EU, by investigating corruption involving EU funds, including cases of high-level corruption and bribery.