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EPPO Seizes 237,000 Garments in Prato Textile Fraud Investigation

European anti-fraud prosecutors seized 237,000 garments in Prato, Italy, targeting an alleged textile smuggling operation. The EPPO investigation uncovered a complex VAT fraud scheme involving Chinese imports routed through shell companies in Poland and Germany.

European anti-fraud prosecutors have [seized 237,000 garments and over 5.5 million metres of fabric](#) in the Italian city of Prato as part of an expanding investigation into an alleged VAT fraud and smuggling operation involving Chinese textile imports.

The European Public Prosecutor's Office (EPPO) in Bologna directed Italy's [Guardia di Finanza](#) to carry out the operation, which targeted four warehouses in Prato reportedly controlled by Chinese individuals. According to prosecutors, the facilities were concealed and contained textiles allegedly smuggled from China.

The action represents the second significant seizure in the same investigation. In November 2025, [authorities confiscated 2.3 million metres of fabric](#) from the Prato area. The EPPO estimates the combined value of seized assets from both operations at approximately €10 million. Prosecutors allege the smuggling operation imported textiles from Chinese suppliers while using fabricated documentation—including fake suppliers, buyers, and delivery addresses—to circumvent customs duties and import VAT.

According to the EPPO, the scheme routed transactions through shell companies established in other EU member states,

primarily [Poland and Germany](#). These entities allegedly issued invoices and payment orders that made it appear the goods were purchased within the European Union rather than imported from outside the bloc. This structure, prosecutors say, reduced border scrutiny and shifted tax liabilities while avoiding import charges on goods entering from China. The EPPO estimates the alleged fraud enabled suspects to evade €3.6 million in customs duties and VAT over a three-year period.

Multiple jurisdictions and “letterbox” firms

In an earlier update on the investigation, the EPPO noted that businesses connected to the warehouses were periodically dissolved and replaced, allowing operations to continue under different corporate names while keeping individual import volumes below detection thresholds.

Prato, located near Florence, is recognised as a major European textile manufacturing and logistics centre, featuring extensive networks of warehouses and small production facilities that enable rapid movement of fabric and finished garments through supply chains. The [Luxembourg-based EPPO](#) is authorised to investigate crimes affecting the EU's financial interests, including serious cross-border VAT fraud.
