

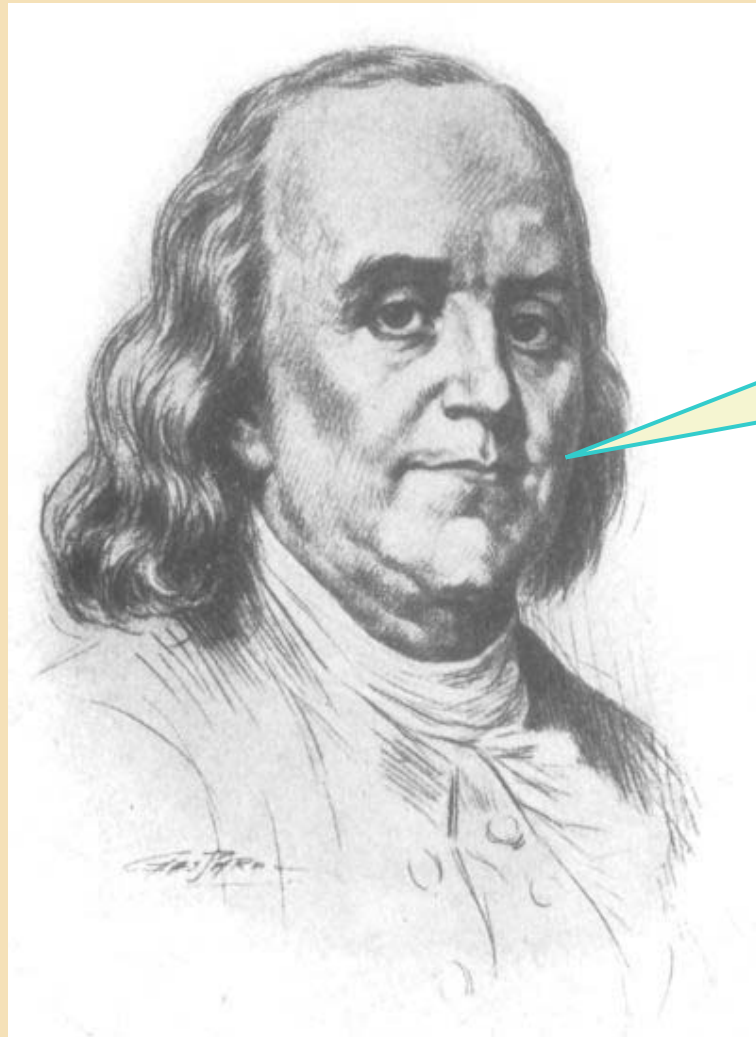


European Commission
Taxation and Customs Union

Tackling VAT fraud: Possible ways forward

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In this world nothing
is certain, but death
and taxes!

And fraud ?



Scope of VAT fraud

- VAT tax fraud difficult to measure given its nature
- Study under way
- $\pm 10\%$ of VAT revenue of Member States
- Some more recent work indicates even higher figures (e.g. 13,5% UK 2005)
- This would correspond to more than 1% of GDP at EU level.



Types of VAT Fraud

- Internal fraud
 - Wrong declarations
 - Undue deductions
- Black economy
- International dimension
 - e-Commerce
 - Supply of services
- Cross border fraud
 - MTIC or carousel fraud

Tax administration
efficiency

Better tax administration

International cooperation

Administrative cooperation
or going beyond that?



MTIC or carousel fraud

- The importance of Missing Trader Intra Community fraud has been the subject of economic analysis in some Member States:
- Germany: 4.5 billion EUR in 2002
- UK: 1.12 to 1.9 billion £ in 2005



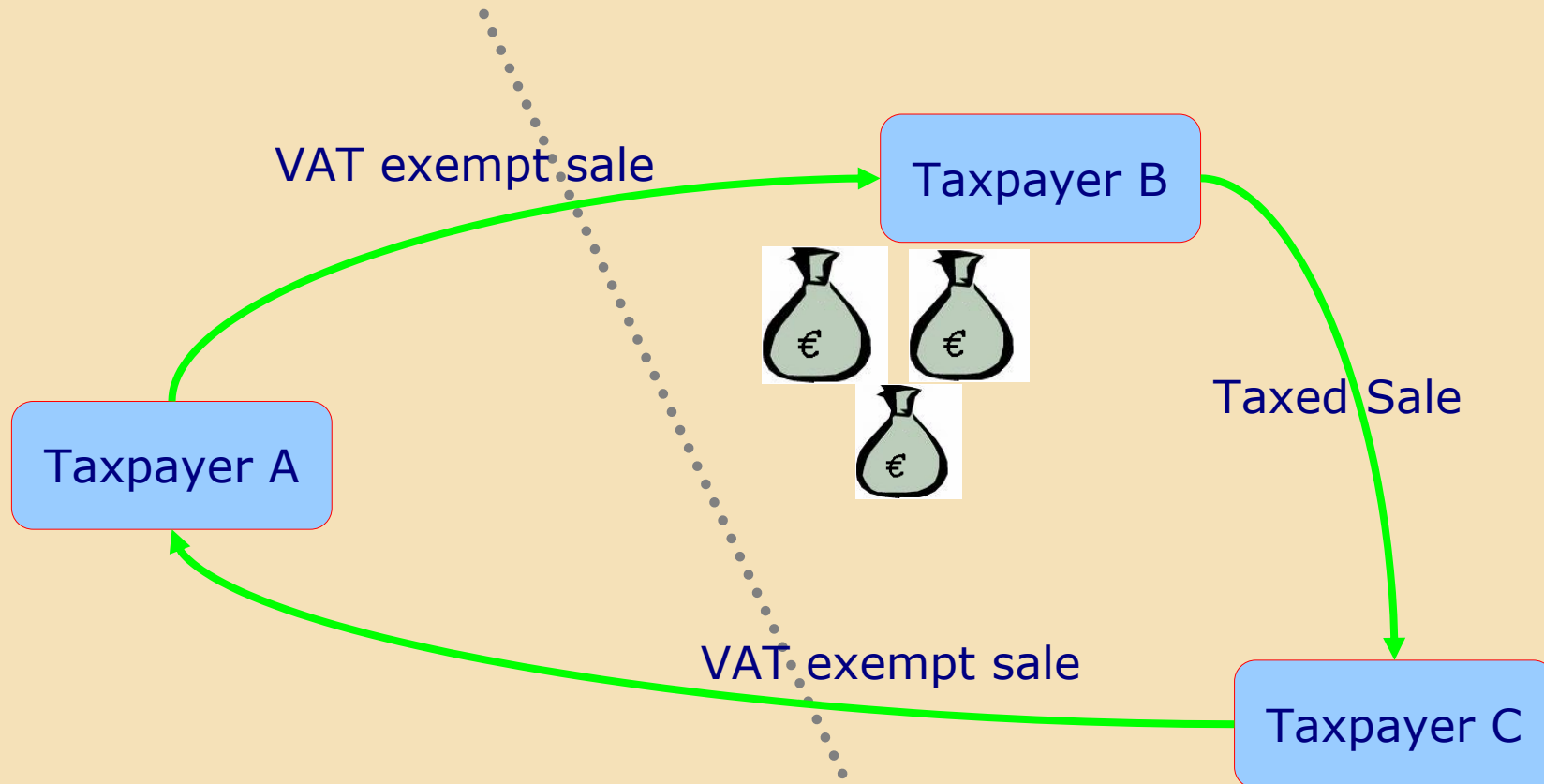
Weaknesses of the transitional regime

- Exemption of intra-community deliveries / without physical control
- Timescale of the information exchange
± 4,5 month delay in average

⇒ Fraud opportunities



Carrousel Fraud



Member State 1

Member State 2



Commission's Communication

- Communication on the need to develop a co-ordinated strategy to fight against Fiscal Fraud presented on 31 may 2006
 - Covers all taxes but VAT is a major part
- ↳ Launch a debate on a strategy



Content of the Communication

- 1) Improving the fight against fraud within current VAT system
 - Improving exchange of information (quicker, more detailed?)
 - Reinforcing reporting obligations + partnership
 - Punctual amendments to the VAT system

Some of these potential measures would affect businesses



Content of the Communication

- 2) Taxation of intra-community supplies
 - This is different to the Definitive VAT regime which had a much wider scope
 - Compulsory for all Member States

- 3) Generalised reverse charge
 - Could be optional
 - Impact on internal market



Follow up of the Communication

- Discussions in the Council
 - Reverse charge
 - Taxation of intra-community supplies
- Expert group on an Anti Tax Fraud Strategy
 - Technical discussions on matters covered by first option
- Should lead to conclusions by ECOFIN Council in June



Follow up of the Communication

- Objective of the Communication = debate with ALL stakeholders involved
- Member States: in Council
- EU institutions: opinion
- Businesses : submission of written comments but certainly

THIS CONFERENCE
Tell us the
BUSINESS POINT OF VIEW



Objective of this conference

- Tackling VAT Fraud
 - What problems does it cause to business and how can they assist the tax administration in combating it?
 - Enhancing the fight against fraud and the burden on businesses: striking the right balance.
 - Changing the VAT system: the ultimate solution?



Workshop 1: role of businesses

- Consequences of fraud for businesses
 - Unfair competition
 - Burdensome antifraud measures
 - Increased risk
 - Abnormal transactions



Workshop 1: role of businesses

- Cooperation with the administration
 - Service minded administration
 - Improvement of communication channels
 - Partnership such as in customs
 - Resident audit programs
 - Possibility to report dubious transactions
 - Role of tax consultants



Workshop 2: The right balance

- Merely transferring the risk on traders: not acceptable!
- Context has evolved
 - Businesses have more partners
 - Use of IT
- Timely and accurate info for the administration/ security for traders



Workshop 2: The right balance

- Are reporting obligations still appropriate?
- Reinforcing registration
- Targeted measures
- Joint and several liability
- Efficiency
- Streamlining of reporting obligations



Workshop 3: Changing the VAT system

- Generalised reverse charge
 - On a optional basis
 - Transaction threshold
- Taxation of intra-community supplies
 - Taxation where the supplier is established
 - Common rate
- Joint and several liability
- Right of deduction rules
- Definition of a taxable person



Good work and
Thank you !