

20 measures to tackle the VAT gap

As indicated in the Communication on an action plan on VAT, tackling the VAT gap calls for urgent action on three fronts: enhancing administrative cooperation, collectively improving the performance of European tax administrations and improving voluntary compliance. This document presents the actions that the Commission intends to pursue together with the Member States and other interested parties.

1. Enhancing cooperation within the EU and with third countries

The VAT gap in the EU is stable (at 16%), but differs considerably among Member States, which continue to lose revenues while fraudsters put compliant businesses in a disadvantaged position. Tackling pan-European fraud requires pan-European solutions.

The Commission will:

1. Continue measuring the VAT gap in the EU Member States and encourage their administrations to refine the analysis based on national figures. The Commission will try to measure the part related to VAT fraud;
2. Investigate the possibility of extending the use of automated access to data. It will also explore with Member States the possibility to develop an automated mechanism that would allow a cross-matching between the data reported by each party of every single transaction. That would allow detecting fraud in early stages and ultimately prevent a missing trader fraud, be it domestic or intra-Community;
3. Propose options to reinforce the role and impact of Eurofisc on tackling intra-Community VAT fraud. It includes making better use of the information available within the network, through an electronic transaction network analysis and ranking tool (TNA);
4. Evaluate Regulation (EU) No. 904/2010 on administrative cooperation and combating fraud in the field of value added tax, and propose legal and operational solutions to address the weaknesses of the current legislation, including by introducing joint audits;
5. Support deeper cooperation between different authorities. Fighting organised crime networks engaged in carousel fraud requires joint efforts between tax administrations and law enforcement authorities within and between Member States. Missing trader fraud calls for a smooth exchange of information between tax and customs authorities. Proposed actions include supporting Member States in implementing the recommendations of the report on enhancing tax-customs cooperation, a conference between authorities to explore possible cooperation and a partnership between Member States, Europol and OLAF on exchange of information, and achieving a positive outcome in the negotiations on the PIF Directive and the European Public Prosecutor Office;

6. Address VAT fraud in the electronic commerce sector. On the one hand, fraudsters exploit emerging technologies and new business models to avoid the payment of VAT. On the other hand, legal and technological tools and policies at the disposal of tax administrations to combat fraud and evasion are lagging behind and insufficient to address the emerging risks. The Commission will work on a set of specific compliance measures including anti-fraud tools for tax administrations, on a communication campaign addressed to companies and citizens and on proposals for third parties involved to supply targeted information to tax administrations in order to allow the latter to cope with the new digital economy business models.
7. Strengthen mutual assistance for the recovery of tax debts. As effective collection of VAT is a cornerstone of the fight against fraud, the Commission is evaluating the use of Directive 2010/24/EU on mutual recovery assistance. The Commission also intends to amend the implementing legislation in the field of administrative cooperation and recovery assistance to facilitate the exchange of information with regard to vehicles as well as the cross-border use of precautionary measures safeguarding the recovery of VAT claims.
8. Enhance cooperation with third countries in the area of VAT by negotiating agreements between the EU and third countries on administrative cooperation and mutual assistance in recovery of VAT claims, based on Council mandates. This will enable tax administrations to obtain more information on non-established traders liable for VAT in the EU and fight VAT fraud more effectively, notably to ensure effective taxation of e-commerce;
9. Build synergies with international organisations (such as IOTA, IMF, OECD, CIAT and CEF) in the area of tax compliance and contribute to establish an international system of administrative cooperation (OECD).

2. Towards more efficient tax administrations

As the European Semester Specific Country recommendations and experience demonstrate, there are differences in the way tax administrations work, which affects the proper collection of the tax and the business environment. There is a need to build trust and collectively improve the level of performance of European tax administrations, in order to strengthen the European tax system and fight against VAT fraud in the single market.

The Commission will :

10. Provide for a strategic discussion between the Heads of the 28 tax administrations, and with customs, in order to build a common agenda, to exchange views and coordinate mutual actions in the area of managing the tax system;

11. Facilitate agreement on minimum quality standards for core tax administration functions and evaluation, based on good practices in different countries (e.g. by revising the Fiscal Blueprints); support the evaluation of the MS administrations against these standards (e.g. peer reviews, independent assessments) as a basis for reforms;
12. Facilitate the development of a Human Competency Framework for Tax officials (similar to what exists for Customs officials);
13. Provide platforms for knowledge and experience sharing and technical assistance to support reform programmes;
14. Develop new approaches with Member States on tax collection by exchanging best practices about new reporting and auditing tools;
15. Monitor the tax administration's performance in collecting and controlling VAT (Article 12 report) including through fact-finding visits to the Member States;
16. Provide technical assistance on topics of tax administration and fight against fraud.

3. Improving voluntary compliance

Reinforcing the cooperation between businesses and tax authorities is important to improve VAT compliance.

The Commission will:

17. Facilitate a higher role for the EU VAT Forum¹ in bridging the gap between businesses, in particular SMEs and tax administrations by promoting dialogue and joint projects. Action includes agreeing on a work programme for the VAT Forum for the period 2016-2018;
18. Sponsor concrete projects such as effective dispute prevention and resolution mechanisms or agreements between tax administrations and business sectors e.g. to fight fraud²;
19. Launch a study on the impact of administrative penalties on compliance and competition so as to identify good practices and adverse effects;
20. Enhance education and communication (e.g. school programmes) to raise citizens' and companies' awareness of the importance of paying taxes.

¹ Commission Decision 2012/C 198/05 of 3 July 2012 setting up the EU VAT Forum, [OJ C198 of 6 July 2012](#).

² See the [new Guide on administrative cooperation between the Member States and Businesses in the field of VAT fraud](#)