European Commission

VAT GAP Report

September 2018

#FairTaxation

WHAT IS THE VAT GAP?

- The VAT GAP is the overall difference between the expected VAT revenue and the amount actually collected.
- In 2016, the VAT Gap amounted to €147.1bn in the EU. This equates to a total revenue loss across the EU of **12.3%.**
- VAT is a major source of tax revenue in the EU. Quantifying the scale of the VAT Gap can help to develop well-targeted measures and monitor their effectiveness.

WHAT CAUSES THE VAT GAP?

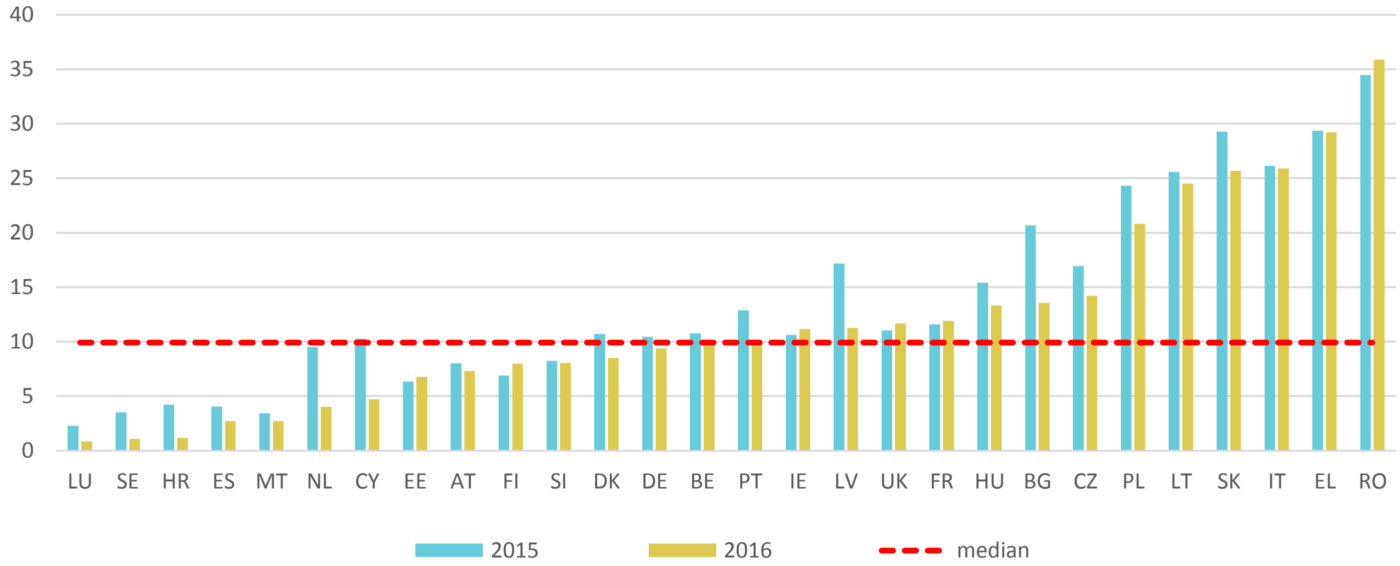
- Fraud and tax evasion
- Corporate insolvency
- Corporate bankruptcy
- Maladministration
- Legal tax optimisation

"Member States have been improving VAT collection throughout the EU. This must be recognised and commended. But a loss of €150 billion per year for national budgets remains unacceptable, especially when €50 billion of this is lining the pockets of criminals, fraudsters and probably even terrorists. A substantial improvement will only come with the adoption of the VAT reform we proposed a year ago. I urge Member States to move forward on the definitive VAT system before the European Parliament elections in 2019."

Pierre Moscovici *Commissioner for Economic and Financial Affairs, Taxation and Customs*

- In 2016, estimated VAT gaps ranges from 0.85% in Luxembourg to 35.88% in Romania.
- The VAT Gap decreased in 22 Member States and increased in six: Romania, Finland, the UK, Ireland, Estonia and France.

HOW DO EU MEMBER STATES FARE? (% of VAT revenues lost)



VAT GAP IN 2016 (EUR MILLION)

Belgium	3,079	Greece	5,916	Lithuania	983	Portugal	1,784
Bulgaria	693	Spain	1,966	Luxembourg	29	Romania	6,137
Czech Republic	2,165	France	20,896	Hungary	1,629	Slovenia	290
Denmark	2,466	Croatia	70	Malta	20	Slovakia	1,872
Germany	22,679	Italy	35,988	Netherlands	2,024	Finland	1,707
Estonia	144	Cyprus	83	Austria	2,149	Sweden	465
Ireland	1,610	Latvia	258	Poland	8,004	UK	22,040

Total EU-28	**147,146**