European Court of Auditors' Special Report No 8 /2007 concerning administrative cooperation in the field of VAT

2008/2151(INI) - 04/12/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 592 votes to 15 with 20 abstentions, a resolution on the European Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of value added tax (VAT).

The own-initiative report had been tabled for consideration in plenary by Bart **STAES** (Greens/ALE, BE) on behalf of the Committee on Budgetary Control.

Value added tax (VAT) evasion and fraud not only affect the financing of Member States' budgets, but also the EU own resources system. According to estimates quoted by the Court of Auditors, VAT revenue losses amounted to EUR 17 billion in Germany for 2005 and EUR 18.2 billion in the UK for the tax year 2005-2006. The volume of VAT fraud could exceed the volume of the Community's total annual budget.

On the basis of the Court of Auditors' Special Report No 8/2007, Parliament concludes that Regulation (EC) No 1798/2003 is not an effective tool for administrative cooperation as several Member States obstruct its implementation and the Commission's role is limited.

The main points covered by the report are as follows:

Quantifying VAT fraud: the actual volume of VAT evasion and fraud is difficult to assess, therefore the Commission and the Council are urged to give a higher priority to the development of a common approach in order to quantify and analyse VAT fraud which should allow assessment as to whether measures taken by Member States against VAT evasion and fraud are successful, or whether they just trigger a displacement of VAT fraud to other economic sectors or Member States. Parliament also asks the Commission, the Council and the Member States to fully take into account the recommendations of the Contact Committee of the Supreme Audit Institutions of the European Union of December 2007, which include proposals as to how Member States could improve their estimates and how a single model for the estimation of VAT fraud could be established.

Shortcomings in the performance of Member States' authorities: concerned about the shortcomings identified by the Court of Auditors as regards administrative cooperation between Member States in the field of VAT, MEPs urge Member States to guarantee timely exchange of information on request and invites them to fully exploit the possibility of delegating competences as regards information exchange to local tax offices. They call on the Council to address the discrepancy between the number of requests for information which a Member State claims to have received and the number of requests other Member States claim to have sent to it, and to solve this problem as a matter of urgency.

The resolution recommends to the Commission that, within their national reform programmes under the Lisbon strategy, Member States report on the implementation of data requirements towards other Member States and considers it important, where data provision from one Member State to another is subject to systematic delay, that infringement procedures be initiated by the Commission against the Member State that delays the provision of data. The Commission is invited to facilitate further exchange of best practices and coordination between Member States as regards the organisational arrangements for administrative cooperation.

Moreover, MEPs fail to understand why Member States, despite the Commission's efforts to facilitate an agreement, still have not agreed on common criteria for the cancellation of VAT numbers, although the possibility for a quick withdrawal of a VAT number is an essential element in stopping and preventing VAT fraud. They regret that simultaneous, multilateral controls are not sufficiently used by Member States, although the Community provides for their funding and the Court of Auditors reports that good results can be achieved. Parliament notes the efficiency of the Eurocanet (European Carousel Network) founded by Belgium in order to improve the spontaneous exchange of information and call on Germany, Italy and the United Kingdom to join the Eurocanet Network. MEPs regret that Germany did not comply with the Court's audit request.

Follow-up and future perspectives: the resolution welcomes the Commission's proposals for amendment of the VAT Directive and the VAT Administrative Cooperation Regulation. The Commission is invited to:

- submit further proposals aimed at reinforcing Member States' ability to collect non-paid VAT by making traders jointly and severally liable for tax losses in cases where their non-compliance with reporting obligations facilitated the fraud;
- submit further proposals on automated access by all other Member States to certain non-sensitive data held by Member States on their own taxable persons and on the harmonisation of procedures for the registration and de-registration of persons liable for VAT to ensure the swift detection and de-registration of counterfeit taxable persons.

MEPs ask the Council to continue negotiations on the proposal for a regulation on mutual administrative assistance in the fight against fraud affecting the financial interests of the European Community, including VAT fraud, which would provide a detailed framework for multidisciplinary administrative anti-fraud cooperation. They also invite the Commission's responsible services, DG Taxation and Customs Union and the European Anti-Fraud Office (OLAF), to create a task force.

Stepping-up cooperation between judicial authorities: Member States are invited to remove legal obstacles in national law which hamper cross-border prosecution, in particular in cases where the VAT losses occur in another Member State.