

Value added tax VAT: administrative cooperation (repeal. Regulation (EEC) No 218/92)

2001/0133(CNS) - 18/08/2009 - Follow-up document

Council Regulation No 1798/2003 on administrative cooperation in the field of VAT provides that the Commission shall present every three years a report to the European Parliament and the Council on the application of this Regulation. In the past, there have been five reports which describe the functioning of the administrative cooperation in the field of value added tax, but this is the first report since the adoption of the Council Regulation No 1798/2003 in January 2004.

In particular, the Regulation introduced improvements relating to: (i) clearer and binding rules governing cooperation between Member States; (ii) more direct contacts between services with a view to making cooperation more efficient and faster; (iii) more automatic or spontaneous exchanges of information between Member States in order to combat fraud more effectively. This report assesses the **functioning of administrative cooperation within the current legal framework** and focuses in particular on the use that is made of these newly introduced arrangements in order to evaluate whether these changes have been effective.

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However, the present report cannot be dissociated from the broader context of the coordinated strategy to improve the fight against VAT fraud set out in the recent Commission's Communication, A coordinated strategy to improve the fight against VAT fraud in the EU, [COM\(2008\)0807](#).

. This Communication announces a range of measures which will substantially affect the way administrative cooperation in the field of VAT between tax authorities will function in the future.

ain conclusions: the Commission's [Communication of 31 May 2006](#) concerning the need to develop a co-ordinated strategy to improve the fight against fiscal fraud already expressed the view that the legal framework for administrative cooperation in the field of VAT has been reinforced, but that Member States do not make sufficient use of it and the level of administrative cooperation is not commensurate with the size of intra-Community trade.

This report does not come to a different conclusion; the new arrangements introduced in 2004 with Regulation 1798/2003 offered **improved possibilities**, but the intensity of the administrative cooperation between Member States to cope with intra-Community VAT evasion and fraud is **still unsatisfactory**.

As concerns the **practical functioning**, the willingness to improve the application of the administrative cooperation arrangements should be reflected in the management support and organisation of the tax administration through the following actions:

- an appropriate number of resources should be allocated to administrative cooperation and tax controls;
- training should be provided for tax officials to raise their awareness as regards the instruments available and the spontaneous exchange of information;
- a proactive and open-minded approach should be adopted towards the application of the instruments available and obstacles should be avoided at national level;

- local officials should be given instructions on how to prioritise the requests for information;
- the software should be adjusted in order to use the XML-format for sending requests;
- efficient procedures should be implemented to collect data to be exchanged;
- direct contacts between local tax auditors should be encouraged (via CCN mail II bis).

These recommendations are in fact not new; they can already be found in previous reports presented several years ago. The fact that they need to be repeated is a worrying signal as concerns the level of follow up that has been given to them in the past.

The **political importance** given within a Member State to ensuring that a service of good quality is provided to the partner authorities in the other Member States is a key factor for substantial improvements.

The ECOFIN Council has had, in the past two years, several discussions about combating VAT fraud. The conclusions which have been drawn on these occasions point out the need for a **common approach at EU level**. The emphasis has been put on the so-called "conventional measures" which aim at strengthening the capacity of tax authorities to tackle VAT fraud within the context of the current VAT system.

Reinforcing administrative cooperation is essential in this context and the proposal for a [recast of the Regulation 1798/2003](#) that is presented today contains substantial changes such as automated access to databases and will provide the legal base to set up EUROFISC. This report demonstrates the **need for further amendments to the legal framework** which are taken on board in this proposal.

However, improving the practical functioning is equally important and the Commission counts on the political willingness of the Member States to put the necessary efforts in this objective.

The willingness has to come from the Member States but the Commission is prepared to provide its assistance to these efforts. A number of actions to be taken could be coordinated at EU level and the [Fiscalis 2013 programme](#) provides appropriate tools for supporting the development and implementation of these actions.