Value added tax (VAT): administrative cooperation and combating fraud. Recast

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The Commission presented a report on the application of Council Regulation (EU) no 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax.

As mentioned in the coordinated strategy to improve the fight against VAT fraud set out in the recent Commission Communication presenting an Action Plan to strengthen the fight against tax fraud and tax evasion, Member States can only address tax fraud and tax evasion effectively if they work together. **Improving administrative cooperation between Member States' tax administrations is therefore a key objective** of the Commission's strategy in this area.

Main conclusions and recommendations: the report highlighted areas where administrative cooperation still can be intensified, by making greater use of the improved possibilities offered by the Regulation 904 /2010:

- overall, there must be a **quicker reply to requests for information**, since the lateness of the replies is a critical issue;
- some Member States still refrain from participating in automatic exchange of information on non-established taxable persons and new means of transport, although they consider the information to be very useful. This is very problematic and the Commission therefore intends to strengthen the close monitoring of developments in this field;
- **feedback**, provided spontaneously or on request, is an approach that must be encouraged in the context of good cooperation and best practices, as it is the best way to inform tax officials that their work was (to a certain extent) beneficial. In order to achieve this, management should improve training of tax auditors;
- all Member States should introduce measures to keep the **VIES database up-to-date**. This will, in combination with the reduction of timeframes, lead to a reliable and updated VIES system, that will make data on intracommunity transactions available as quick as possible. The Commission will monitor the correct application of automated access and provide more details on the usefulness and effectiveness of this tool;
- Member States should promote the presence of officials in administrative offices and **participation in administrative enquiries** in another Member State. This tool is hardly used by the Member States;
- it is necessary that the Member States renew their engagement as regards **multilateral controls** (MLCs), and the obstacles to multilateral controls identified in this report must be overcome. An increase to around 75 MLC's for 2014 should be achieveable especially since this would entail only an average of around 3 Multilateral controls per Member State. **Belgium has set-up a pilot project** designed to step up the fight against VAT fraud will be further discussed in the Eurofisc platform;
- **joint audits** (two or more countries joining together to form a single audit team to examine an issue (s) / transaction(s) of one or more related taxable persons (both legal entities and individuals) with cross-border business activities) are an instrument that should be further developed through a Fiscalis project group based on the experience gained in the **pilot project set up by the Netherlands and the United Kingdom**. If required, the Commission will take the initiative to provide for a legal basis to use the tool at EU-level;

- within **Eurofisc** (a newly introduced quick cooperation mechanism created to deal with large scale or new fraud patterns) common risk analysis and an effective feedback mechanism would be an appropriate response to the need to have more targeted information available and to make better use of the information that is already available in the network;
- coordinated approach at EU level to put in place **administrative cooperation arrangements with third countries** in the area of VAT is necessary. The Commission intends to submit a proposal to obtain the authorisation of the Council to start negotiations with certain third countries for a bilateral agreement on administrative cooperation at the beginning of 2014.

Mini-one-stop-shop: as from 1 January 2015, an optional mini One Stop Shop (MOSS) will be introduced as a simplification measure for certain traders. The preparatory legal and practical work is almost in place. The Commission has also set up a Fiscalis project group (FPG 86) to look at audit and control issues in the context of the MOSS.

In conclusion, the Commission is willing to support any initiative that would enhance cooperation and to take legal action whenever this proves necessary. However, Member States must show the political willingness necessary to follow this path.

Cross-border cooperation is indeed the sole adequate response to cross-border VAT fraud and Member States need to **prioritise where they allocate resources to** in the current difficult economic climate.

The Commission will report back on the progress made by Member States in the fields identified in this report. In light of the seriousness of the problem of VAT fraud, it will not await the next report to be provided only by end 2018, but has the intention to provide, **by the end of 2015, an evaluation of the state of play** to the Standing Committee on Administrative Cooperation (SCAC), focused on the efforts done by Member States in order to overcome the shortcomings listed in this report and to further enhance cross border cooperation in the field of VAT.