Value added tax (VAT): administrative cooperation in order to combat VAT fraud

2018/0413(CNS) - 12/12/2018 - Legislative proposal

PURPOSE: to improve the exchange of information on cross-border payments in order to combat VAT fraud in electronic commerce.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: this proposal is part of the package of legislation on the mandatory transmission and exchange of VAT-relevant payment information. It is part of the EU's broader agenda to **tackle VAT fraud and improve VAT collection of internet sales**.

E-commerce VAT fraud is a common problem for all Member States. Member States alone do not have the information necessary to ensure that the e-commerce VAT rules are correctly applied and to tackle e-commerce VAT fraud.

The exchange of payment data between tax authorities is crucial to combat fraud effectively.

The Commission considers that new tools are necessary for tax authorities to tackle cross-border e-commerce VAT fraud in an effective way.

CONTENT: the proposal seeks to amend Regulation (EU) No 904/2010 on administrative cooperation and fighting fraud in the field of value added tax. This is because the proposal lays down rules for the Member States to collect in a harmonised way the records made electronically available by the payment service providers pursuant to the VAT Directive.

In concrete terms, the proposal:

- sets up a **new central electronic system** for the storage of the payment information and for the further processing of this information by anti-fraud officials in the Member States within the Eurofisc framework. The new central electronic system for payment information (CESOP) would be developed by the Commission;

- introduces the obligation for Member States to **collect recorded data** made available electronically from payment service providers in accordance with the VAT Directive. The competent authorities of the Member States should forward to CESOP, on a quarterly basis, the information they collect from payment service providers established in their own territory. A common electronic format for the collection of such data should be adopted by means of implementing acts.

CESOP will correct formal mistakes in the transmitted information (cleansing) and aggregate the overall payment information transferred by the competent authorities of the Member States per payee (recipient of the funds). Then it will analyse the information (e.g. matching payment information with VAT information available to Eurofisc officials) and will allow Member States' Eurofisc liaison officials to have a complete overview of the payments received by given payees. The information shall be stored in CESOP for two years.

The information on incoming payments will allow Member States to detect domestic suppliers selling goods and services abroad without fulfilling their VAT obligations.
Information on outgoing payments will allow the detection of suppliers established abroad (either in another Member State or outside the Union) that should pay VAT in a given Member State.

The Commission would bear the costs for the **development and maintenance** of CESOP as well as the costs of maintaining the connection between CESOP and Member States' national systems, while the Member States would bear the costs of all necessary developments to their national electronic system.

The safeguards laid down under Regulation (EU) No 904/2010 and the European framework on data protection will apply to the exchange of payment information under the present proposal.