

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

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The Committee on Economic and Monetary Affairs adopted, under a special legislative procedure (consultation of Parliament), the report by Lídia PEREIRA (EPP, PT) on the proposal for a Council regulation amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud.

As a reminder, the proposal concerns the mandatory transmission and exchange of information on VAT payments between VAT administrations. It lays down rules for the harmonised collection by Member States of recorded data made available electronically by payment service providers. Furthermore, it 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 committee recommends that the European Parliament approve the Commission's proposal subject to amendments.

Better tackle VAT fraud

Members stressed the need for more transnational cooperation in order to better combat VAT e-commerce fraud in particular, as well as VAT fraud more generally (including carousel fraud).

The report recalled that according to the Commission, the VAT gap (the difference between the expected VAT revenue and the amount actually collected) in the Union amounted to EUR 137.5 billion in 2017, representing a loss of 11.2 % of the total expected VAT revenue and EUR 267 of lost revenue per person in the Union. There are, however, big differences between Member States, with VAT gaps ranging from 0.6% up to 35.5%.

The main purpose of the proposed amendments is to ensure that the fight against VAT fraud is more effective. According to Members:

- all Member States should take measures in order to reduce the percentage of late replies and improve the quality of requests for information;
- the new central electronic system for payment information ("CESOP") should keep the information for a maximum period of five years (rather than three years) from the end of the year in which the information was transferred to the system;
- the Commission should be able to conduct visits to the Member States in order to evaluate how cooperation arrangements on cross-border VAT fraud between Member States work;
- Member States and the Commission should set up a common system for collecting statistics on intra-Community VAT fraud and publish national estimates of VAT revenue losses resulting from such fraud as well as estimates for the Union as a whole;
- Eurofisc's annual report should examine whether the resources devoted to Eurofisc are adequate and sufficient to improve cooperation between Member States and fight efficiently against VAT fraud;

- lastly, information exchanged on payments to combat VAT fraud should also be used in the implementation of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

Strategy for fighting against VAT fraud

Members stated that this strategy should evolve in parallel with the increasing modernisation and digitalisation of the economy while rendering the VAT system as simple as possible for businesses and citizens. Member States should therefore continue to invest in technology-led tax collection, notably by automatically linking corporate cash registers and sales systems to VAT returns.

In addition, tax authorities should continue their efforts towards closer cooperation and exchange of best practices.

Tax authorities should work towards an effective communication and interoperability between all databases regarding fiscal matters at Union level. Blockchain technology could also be used in order to better protect personal data and improve the online exchange of information between tax authorities.