

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

2018/0413(CNS) - 17/12/2019 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 591 votes to 18, with 86 abstentions, under the consultation procedure, a legislative resolution 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.

The European Parliament approved the Commission proposal subject to amendments.

Deepening transnational cooperation to combat VAT fraud

Parliament recalled that the existence of significant differences between Member States, with VAT gaps ranging from 0.6% to 35.5%, underlined the need to deepen transnational cooperation to better combat VAT fraud, in the context of e-commerce in particular, but also in a more general context (including carousel fraud). Indeed, according to the Commission, the difference between the expected VAT revenue and the amount actually collected, in the Union amounted to EUR 137 billion in 2017, representing EUR 267 of lost revenue per person in the Union.

More effective fight against VAT fraud

Parliament proposed that:

- 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;
- Eurofisc's annual report should assess whether the resources allocated to it are adequate and sufficient to improve cooperation between Member States; it should, inter alia, specify the number of officials authorised to be present in the offices of the administrative services of another Member State or the number of qualified human resources staff present in the administrative offices and involved in administrative enquiries and simultaneous controls;
- 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

Parliament 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, including through the Tax Administration EU Summit (TADEUS), a network of Member States' heads of tax administrations that seeks better coordination at strategic level between tax administrations.

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.