Fight against fraud: mutual administrative assistance for the protection of the financial interests of the Community

2004/0172(COD) - 20/07/2004 - Legislative proposal

PURPOSE: to establish the legal framework for mutual administrative cooperation and exchange of information between the competent authorities of the Member States and between those authorities and the Commission, in order to ensure equivalent and effective protection of the financial interests of the Community against fraud and any other illegal activities.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

CONTENT: Given the multi-lateral, cross-border nature of fraud, the European Commission is presenting this proposal in a bid to improve the co-ordination of anti-fraud measures between the European Commission and the Member States. This particular proposed Regulation does not seek to increase the amount of investigative powers of the Commission nor does it seek to diminish the role national authorities play in combating fraud. As the Commission points out, however, the sixth Directive on VAT makes VAT vulnerable to fraud. Consequently, it is one of the most frequently exercised from of fraud carried out in the EU, which affects the Community budget significantly. Some Member States estimate that the detrimental affect of VAT fraud could be as high as 10% of their receipts.

The proposed Regulation forms part of a package of anti-fraud legislative acts. Specifically, it complements Regulation 1079/1999/EC and Regulation 2185/96/EC, Euratom. This legislative initiative, however, is concerned with a very specific purpose, namely "administrative co-operation" in relation to combating and preventing EU fraud and money laundering. The exchange of information at an early stage would contribute substantially towards deterring irregularities – especially in the field of money laundering. One of the main features of the Regulation, if adopted, would be to allow the Commission to offer Member States improved and reliable intelligence, including detailed reports and, in particular, a clearer picture of new fraud trends as a result of its analytical work. It will also contribute to linking the information available with persons behind organised fraud.

FINANCIAL IMPLICATIONS:

- Budget lines and headings: 24.0106 (fight against fraud).

- Overall multi-annual estimate of expenditure: Overall financial impact of human resources and other administrative expenditure: 1.751 million per year, 1.851 for the first two years which include an amount of EUR 100 000 for the development of information systems for internal use of the Commission.

- Overall financial impact of human resources and other adminstrative expenditure: A total of 15 staff, of which five are permanent and ten temporary at a total cost of EUR 1 361 340.

- Other administrative expenditure deriving from the action: Total cost of EUR 1 851 340.