Basic information

2008/2151(INI) INI - Own-initiative procedure	Procedure completed
European Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of VAT **Subject** 2.70.02 Indirect taxation, VAT, excise duties 2.80 Cooperation between administrations	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	STAES Bart (Verts/ALE)	26/02/2008

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs (Associated committee)	RAEVA Bilyana Ilieva (ALDE)	20/05/2008

European Commission

Commission DG	Commissioner
Budget	KALLAS Siim

Key events

Date	Event	Reference	Summary
25/01/2008	Non-legislative basic document published	N6-0032/2008	Summary
19/06/2008	Committee referral announced in Parliament		
19/06/2008	Referral to associated committees announced in Parliament		
04/11/2008	Vote in committee		Summary
07/11/2008	Committee report tabled for plenary	A6-0427/2008	
03/12/2008	Debate in Parliament		
04/12/2008	Decision by Parliament	T6-0581/2008	Summary
04/12/2008	Results of vote in Parliament		
04/12/2008	End of procedure in Parliament		

Technical information	
Procedure reference	2008/2151(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55-p4 Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/64121

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE409.375	08/07/2008	
Amendments tabled in committee		PE412.175	16/09/2008	
Committee opinion	ECON	PE411.931	15/10/2008	
Committee report tabled for plenary, single reading		A6-0427/2008	07/11/2008	
Text adopted by Parliament, single reading		T6-0581/2008	04/12/2008	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Non-legislative basic document	N6-0032/2008 OJ C 020 25.01.2008, p. 0001	25/01/2008	Summary

European Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of VAT

2008/2151(INI) - 04/12/2008 - Text adopted by Parliament, single reading

The European Parliament adopted, by 592 votes to 15 with 20 abstentions, a resolution on the European Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of value added tax (VAT).

The own-initiative report had been tabled for consideration in plenary by Bart **STAES** (Greens/ALE, BE) on behalf of the Committee on Budgetary Control.

Value added tax (VAT) evasion and fraud not only affect the financing of Member States' budgets, but also the EU own resources system. According to estimates quoted by the Court of Auditors, VAT revenue losses amounted to EUR 17 billion in Germany for 2005 and EUR 18.2 billion in the UK for the tax year 2005-2006. The volume of VAT fraud could exceed the volume of the Community's total annual budget.

On the basis of the Court of Auditors' Special Report No 8/2007, Parliament concludes that Regulation (EC) No 1798/2003 is not an effective tool for administrative cooperation as several Member States obstruct its implementation and the Commission's role is limited.

The main points covered by the report are as follows:

Quantifying VAT fraud: the actual volume of VAT evasion and fraud is difficult to assess, therefore the Commission and the Council are urged to give a higher priority to the development of a common approach in order to quantify and analyse VAT fraud which should allow assessment as to whether measures taken by Member States against VAT evasion and fraud are successful, or whether they just trigger a displacement of VAT fraud to other economic sectors or Member States. Parliament also asks the Commission, the Council and the Member States to fully take into account the

recommendations of the Contact Committee of the Supreme Audit Institutions of the European Union of December 2007, which include proposals as to how Member States could improve their estimates and how a single model for the estimation of VAT fraud could be established.

Shortcomings in the performance of Member States' authorities: concerned about the shortcomings identified by the Court of Auditors as regards administrative cooperation between Member States in the field of VAT, MEPs urge Member States to guarantee timely exchange of information on request and invites them to fully exploit the possibility of delegating competences as regards information exchange to local tax offices. They call on the Council to address the discrepancy between the number of requests for information which a Member State claims to have received and the number of requests other Member States claim to have sent to it, and to solve this problem as a matter of urgency.

The resolution recommends to the Commission that, within their national reform programmes under the Lisbon strategy, Member States report on the implementation of data requirements towards other Member States and considers it important, where data provision from one Member State to another is subject to systematic delay, that infringement procedures be initiated by the Commission against the Member State that delays the provision of data. The Commission is invited to facilitate further exchange of best practices and coordination between Member States as regards the organisational arrangements for administrative cooperation.

Moreover, MEPs fail to understand why Member States, despite the Commission's efforts to facilitate an agreement, still have not agreed on common criteria for the cancellation of VAT numbers, although the possibility for a quick withdrawal of a VAT number is an essential element in stopping and preventing VAT fraud. They regret that simultaneous, multilateral controls are not sufficiently used by Member States, although the Community provides for their funding and the Court of Auditors reports that good results can be achieved. Parliament notes the efficiency of the Eurocanet (European Carousel Network) founded by Belgium in order to improve the spontaneous exchange of information and call on Germany, Italy and the United Kingdom to join the Eurocanet Network. MEPs regret that Germany did not comply with the Court's audit request.

Follow-up and future perspectives: the resolution welcomes the Commission's proposals for amendment of the VAT Directive and the VAT Administrative Cooperation Regulation. The Commission is invited to:

- submit further proposals aimed at reinforcing Member States' ability to collect non-paid VAT by making traders jointly and severally liable for tax losses in cases where their non-compliance with reporting obligations facilitated the fraud;
- submit further proposals on automated access by all other Member States to certain non-sensitive data held by Member States on their own taxable persons and on the harmonisation of procedures for the registration and de-registration of persons liable for VAT to ensure the swift detection and de-registration of counterfeit taxable persons.

MEPs ask the Council to continue negotiations on the proposal for a regulation on mutual administrative assistance in the fight against fraud affecting the financial interests of the European Community, including VAT fraud, which would provide a detailed framework for multidisciplinary administrative anti-fraud cooperation. They also invite the Commission's responsible services, DG Taxation and Customs Union and the European Anti-Fraud Office (OLAF), to create a task force.

Stepping-up cooperation between judicial authorities: Member States are invited to remove legal obstacles in national law which hamper cross-border prosecution, in particular in cases where the VAT losses occur in another Member State.

European Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of VAT

2008/2151(INI) - 25/01/2008 - Non-legislative basic document

SPECIAL REPORT No 8/2007 of the Court of Auditors concerning administrative cooperation in the field of value added tax, together with the Commission’s replies.

The report recalls that in 2004, new Community legislation came into force to speed up and strengthen cross-border cooperation between Member State authorities, mainly through clearer procedures, more comprehensive exchange of information and increased direct contacts between local tax offices.

The audit of the Court aimed to assess whether information exchanges between Member States take place in a timely and effective manner and are supported by sound procedures and adequate administrative structures. It showed that information exchanges between Member States can help Member States to assess taxation correctly and to prevent and detect fraud.

However, the Court found that, despite new arrangements introduced in 2004, **administrative cooperation between Member States in the field of VAT is still not intensive enough to cope with intra-Community VAT evasion and fraud**.

The Court found in particular that:

- insufficient use is made of the new possibilities to enhance and speed up cooperation and not all Member States have set up adequate administrative structures and/or operational procedures for ensuring efficient cooperation;
- half of the information exchange upon request does not take place within the timescales required by the legislation and notifications of late replies or interim replies are rarely given;
- late replies occur in all Member States but their frequency varies considerably between Member States. There are sometimes significant differences between the number of requests which a Member State claims to have received and the number of requests other Member States claim to have sent it;

- the framework for exchanges of information without prior request is not well defined and the information which is provided spontaneously is not always systematically exploited;

- the late availability and lack of reliability of data in the current Value Added Information Exchange System (VIES) increase the risk of evasion and fraud not being detected.

According to the Court, there is a need for more intensive and rapid cooperation, more direct contacts between local tax offices and better monitoring to ensure that Member States provide efficient assistance to each other. The weaknesses of VIES should be urgently addressed, for example by radically shortening the timescale for collecting and capturing data and by granting broader direct access to data to enable multilateral consultations.

To combat intra-Community VAT fraud successfully, the Court sets out the following recommendations:

- Member States should encourage more direct communication between local inspection staff as an effective way to speed up the exchange of information. It would at the same time help to increase the intensity of cooperation and the quality of the information exchanged;
- more efficient monitoring of exchanges of information between Member States is necessary to ensure that problems are swiftly identified and tackled;
- the procedures for exchanges of information without prior request need to be clarified. Information which is provided spontaneously should be systematically exploited by Member States;
- the introduction of harmonised rules for withdrawing VAT numbers from traders involved in fraudulent activities should be considered;
- a common approach needs to be developed by the Commission together with the Member States to quantifying and analysing VAT evasion;
- to improve cross-border prosecution of intra-Community VAT fraud in the Member States.

The Court recalls that it recommended that the Commission should make an effort to propose a simplification and consolidation of Community anti-fraud legislation with a view to avoiding duplications and overlapping or contradictory provisions. Existing weaknesses in cooperation between the Commission and the Member States could be addressed in the framework of such an overhaul.