The EU Policies on Tackling Tax Fraud and Tax Evasion

PRESENTATION

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Background

- European integration led to great economic oportunities, but also to great challenges for national tax administrations. Cooperation and exchange of information is vital.
- VAT revenues amounted to 21% of total EU general government revenues or 7.5 % of GDP (2000-2011).
- A recent study showed that the so-called VAT gap in the EU is on average 17 %, amounting up to 193 billion euros in 2011 or 1.5% of EU’s GDP.
- Italy, France, Germany and the United Kingdom contributed over half of the total VAT Gap in absolute terms, although in terms of own GDP largest gaps have Romania, Latvia, Greece and Lithuania.

Tools to tackle organised VAT fraud

- Risk analysis in the Member States
- Eurofisc – early detection and prevention
- Multilateral controls
- Deregister fraudulent companies from VAT
- European court of justice (ECJ) decisions
- Reverse charge on specific goods and services
- Bilateral agreements, incl. non-EU countries
- Cooperation with externals

Enhancing exchange of information is key

- Exchange of information gives tax administrations invaluable information on income and assets that can also be useful for transparency and risk analysis purposes.
- The Commission has a key role to play in promoting its standard of automatic exchange of information so as to give support to developing international standards of transparency.
- Examples: EUROFISC; Quick Reaction Mechanism on VAT Fraud; teams of auditors dedicated to cross-border tax fraud

Enhancing tax governance

- Measures are needed in the MSs, between MSs, and with third countries.
- More joined-up approach between direct and indirect taxes.
- Greater convergence of tools and systems.
- Need to strengthen cooperation between tax administrations and other authorities, in particular anti-money laundering, social security and judicial authorities, both at national and international levels.
- The Commission can facilitate coordination in the areas concerned through joint use of its existing programmes and their successors.

EU initiatives. EUROFISC

- The "Eurofisc" aims to prevent "carousel" fraud, whereby a person buys VAT-free goods in one country and sells them on VAT-included conditions in another, pocketing the tax. In 2009 it was is estimated that Europe's governments lose up to €200bn-€250bn in VAT receipts per year, equivalent to 10%.
- The EU Action Plan against tax evasion (2012) also identifies VAT as one of the areas in which concrete measures need to be taken (IP/12/1325). MSs are encouraged to identify tax havens and place them on national blacklists and reinvigorate the work of the EU Code of Conduct on business taxation.
- Platform for Tax Good Governance (2013) assists the Commission in developing initiatives to promote good governance in tax matters in third countries, tackles aggressive tax planning and identifies double taxation.

EUROFISC

- Established by a EU Regulation on administrative cooperation and combating VAT fraud (Council Regulation 904/2010) and officially launched on 10 November 2010.
- This Regulation lays down rules and procedures for the exchange by electronic means of VAT information on services supplied electronically.
- The Member States shall, without prior request, forward information where a Member State has grounds to believe that a breach of VAT legislation has been committed or is likely to have been committed (standard forms filled every 3 months).

EUROFISC Structure

- Standing Committee on Administrative Cooperation
- Member States' EUROFISC liaison official(s)
- EUROFISC working field coordinators (one per MS)
- EUROFISC liaison officials will meet in a Group, to be called the EUROFISC Group.
- Operational working fields exchange operative data in specific fraud areas.
- An Observatory collects intelligence about new trends and developments in fraud patterns as well as techniques and approaches in the fight against VAT fraud.

EUROFISC

- VAT fraud schemes have been more complex and are continually involving new markets, e.g. - consumer electronics, metals, emission allowances, CO2, the energy market, e-commerce, alternative banking platforms.
- As from 1 January 2015, the competent authority of each Member State shall, in particular, exchange information automatically in order to enable Member States of consumption to ascertain whether taxable persons not established in their territory declare and correctly pay the VAT due with regard to *telecommunication services, broadcasting services and electronically supplied service*.
- Norway and Russia participated in Eurofisc VAT Observatory as observers. EC plans negotiations with the two countries (as services suppliers) on VAT cooperation agreements.

Two new directives (EU Council, 22 July 2013)

- **Quick reaction mechanism against VAT fraud** - legal basis to Member States to implement an emergency measure in case they are faced with a serious case of sudden and massive VAT fraud. Directive 2013/42/EU
- **Optional and temporary application of the reverse charge mechanism** in relation to supplies of certain goods and services susceptible to fraud. Directive 2013/43/EU.
- The list of sectors where this mechanism can be applied was extended to phones, integrated circuit devices, supply of gas and electricity, telecom services, game consoles, tablet PCs and laptops, cereals and industrial crops and raw and semi-finished metals.

Sharing information about organised VAT fraud

- Identify new markets at risk
- Identify the new fraud schemes
- Learn from experience
- Know and monitor the warning signs
- Know your customer and the players
- Prevent fraud schemes to enter new markets
- Cooperate with market players, e.g. trade organisations, regulators, etc.

European Commission's Progress Reports for Macedonia

2014	2013	2012	2011	2010
• Some progress was made but tackling tax fraud and evasion are still challenges, especially regarding IT. Need to pay out VAT refunds promptly and further increase excise duties.	• The fight against tax fraud and tax evasion and efforts to combat the grey economy need to be further intensified.	• Progress has been limited in the field of taxation. • Staff and the IT capacity of the tax administration remains weak	• The EC sees improvements concerning the operational capacities of the tax authority.	• The EC regrets the low level of harmonisation made on direct and indirect taxation. • Notes the progress of the Public Revenue Office

European Commission's Progress Report for Macedonia 2014

- Excise duties are still lower than the EU requirements.
- Electronic tax returns mechanisms were improved. Still, IT infrastructure needs to be improved.
- The Public Revenue Office has not yet conducted an analysis of gaps and needs regarding EU interconnectivity and interoperability.
- Law was amended to introduce the reverse charge system.
- The Law on Personal Income Tax was amended to introduce the concept of self-assessment for sole traders and the self-employed.
- Double taxation agreement with Bosnia and Herzegovina was ratified.
- Inspections further increased, in particular on issuance of fiscal receipts and enforced collections.
- The Office has started publishing a list of unpaid debts and late-paying debtors.
- Delays in the payment of VAT refunds, which affects the liquidity of businesses.

Thank you for your attention

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