VAT fraud: Agreement on measures to boost administrative cooperation

On 22 June 2018, the Council agreed on measures to strengthen administrative cooperation in order to improve the prevention of VAT fraud.

The proposed regulation addresses the most widespread forms of cross-border fraud.

It sets out to:

- improve the exchange and analysis of information shared by the member states’ tax administrations and with law enforcement bodies;
- strengthen Eurofisc, a network of national tax officials for the exchange of information on VAT fraud;

It also introduces new instruments for cooperation such as administrative enquiries carried out jointly.

“Improving cooperation between our tax administrations is essential if we are to clamp down on tax fraud”, said Vladislav Goranov, minister for finance of Bulgaria, which currently holds the Council presidency. “Unacceptably high amounts of VAT revenue are being lost, and this directive will help fix the problem.”

According to the Commission, an estimated €150-160 billion of tax revenue is lost annually due to shortcomings in the VAT system, including fraud. The Commission's proposal indicates that about €152 billion was lost in 2015.

For cross-border fraud alone, some estimates have put annual losses at €50 billion.

Amending regulation 904/2010, the proposal is aimed at containing fraud in the short term, pending implementation of a definitive VAT system. Proposals to replace the current ‘transitional’ VAT provisions by a definitive system are currently under discussion.

The draft regulation sets out to remedy deficiencies identified in a March 2016 special report of the Court of Auditors.

Specific measures will address the most widespread forms of cross-border fraud:

- ‘missing trader’ or ‘carousel’ fraud, where supplies are purchased and resold without payment of VAT;
- fraud in the trade of used automobiles;
- the fraudulent abuse of a scheme for VAT-free imports of goods.

The Court found VAT fraud prevention to be hampered by a lack of comparable data and indicators. It called for anti-fraud instruments to be strengthened and more consistently applied.

Next steps

Agreement was reached at a meeting of the Economic and Financial Affairs Council. The regulation will be adopted without further discussion once the European Parliament has delivered its opinion.

The Council needs unanimity to adopt the regulation, after consulting the Parliament. (Legal basis: article 113 of the Treaty on the Functioning of the European Union.)

- June 2018 draft regulation on strengthening VAT administrative cooperation
- ECA special report: “Tackling intra-Community VAT fraud: More action needed”

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