



Press Release
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Fighting VAT fraud: “time to step up efforts”, say EU Auditors

The current EU system for fighting cross-border VAT fraud is not effective enough and is hampered by a lack of comparable data and indicators, according to a new report from the European Court of Auditors. The EU has a battery of tools to fight against intra-Community VAT fraud, say the auditors, but some need to be strengthened or more consistently applied. Improving the system will require action by the Member States, the European Parliament and the European Commission.

VAT fraud is often linked with organised crime. According to Europol, €40-60 billion of the annual VAT revenue losses of Member States are caused by organised crime groups. Because exports of goods and services from one EU Member state to another are exempt from VAT, criminals can fraudulently evade taxes in both countries. The result is lost revenue for the countries concerned as well as for the EU.

“Our audit has found significant weaknesses which show that the system is not effective enough. These weaknesses must be addressed,” said **Neven Mates, the Member of the European Court of Auditors responsible for the report.**

The auditors visited five Member States: Germany, Italy, Hungary, Latvia and the United Kingdom. They found that:

- there are no effective cross-checks between customs and tax data in most of the Member States visited
- VAT information is shared between Member States' tax authorities, but there are problems with the accuracy, completeness and timeliness of data
- there is a lack of cooperation and an overlap of powers between administrative, judicial and law enforcement authorities.

In one case, say the auditors, a Member State sent an error message about an incorrect VAT

*The purpose of this press release is to give the main messages of the special report adopted by the European Court of Auditors.
The full report is on www.eca.europa.eu*

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number more than two years and five months late. Apart from in Italy, they found that no automatic checking of VAT numbers was available in the electronic customs clearance systems of the Member States visited.

Neither Europol nor OLAF (the EU anti-fraud office) can access data from the Member States' anti-fraud network or from the VAT information exchange.

Recommendations

Authority to approve new legal measures and to implement them lies primarily with Member States. Accordingly, the auditors make recommendations for the European Commission, the European Parliament and the Council.

The Commission should propose legislative amendments enabling effective cross-checks between customs and tax data.

In addition, the Commission should focus its monitoring of Member States on improving the timeliness of their replies to information requests and the reliability of the VAT Information Exchange System.

Finally, it should take the lead in establishing a common system for collecting statistics on intra-Community VAT fraud and encourage Member States to address weaknesses in Eurofisc and better coordinate their policies on reverse charges (where customers rather than suppliers have to account for the VAT).

To deter illegal activities more effectively, the Council should approve the Commission's proposal on the joint and several liability of suppliers for VAT losses in the Member State of destination and authorise the Commission to negotiate and sign Mutual Assistance Arrangements with the countries where most of the digital service providers are established.

The European Parliament and the Council should include VAT within the Directive on the fight against fraud and the European Public Prosecutor's Office Regulation, and grant OLAF clear powers and tools to investigate intra-Community VAT fraud.

Special Report No 24/2015 "Tackling intra-Community VAT fraud: More action needed" is available in 23 EU languages.