

ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work in order to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have.

TITLE OF THE INITIATIVE	Communication on the VAT Gap: "Mind the VAT Gap"
LEAD DG – RESPONSIBLE UNIT	DG Taxation and Customs Union: Unit C4 - Tax administration and fight against tax fraud
LIKELY TYPE OF INITIATIVE	Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee
INDICATIVE PLANNING	Q1/Q2 2021
ADDITIONAL INFORMATION	-

This Roadmap is provided for information purposes only and its content might change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Roadmap, including its timing, are subject to change.

A. Context, Problem definition and Subsidiarity Check

Context

As stressed in the Action Plan for fair and simple taxation supporting the recovery strategy¹, fair and efficient taxation will be even more important in the months and years ahead, as the EU and the global community seek to recover from the fallout of the COVID-19 crisis. To ensure that solidarity and fairness is at the heart of the recovery, the Commission will step up the fight against tax fraud and other unfair practices. This will help Member States generate the tax revenue needed to respond to the major challenges of the current crisis. This will also help building 'an economy that works for people, which is one of the six main ambitions of the von der Leyen Commission.

Value added tax (VAT) revenue constitutes an essential and primary contributor to the Member States' and the EU budgets. As such, the Member States' tax administration capacity to collect VAT will play an important role for the recovery from the crisis.

Problem the initiative aims to tackle

In 2018, the VAT uncollected by the tax authorities of the Member States EU wide – the so called VAT Gap – amounted to around EUR 140 billion. Because of the COVID-19 recession the VAT Gap could further increase by 4.1 percentage points year-over-year up to 13.7 percent and EUR 164 billion in 2020, primarily driven by bankruptcies. That VAT Gap needs to be reduced significantly to help the Member States recover from the current crisis. However, statistics show that there are significant differences between Member States national VAT gaps that vary between a maximum of more than 33% of the VAT total tax liability to a minimum of less than 1%. Furthermore, there are some Member States that managed to significantly reduce their VAT Gap by implementing administrative reforms. The Communication will describe these measures that, based on empirical observation, have led to concrete positive results to the VAT collection system of the Member States. The Communication will build on:

- the evidence collected in the framework of the Ninth report under Article 12 of Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (the Article 12 report);
- the statistical figures of the latest VAT Gap Study published by the Commission.

Basis for EU intervention (legal basis and subsidiarity check)

The initiative is a Communication from the Commission. Therefore, the subsidiarity principle does not apply. The benefit of this initiative is that it will give an overview of the tax administration practices drawing a link with the positive effect in terms of reduction of national VAT gap. This is particularly important now in order to preserve national and EU budgets to finance the recovery. Furthermore, it will explain how Member States can make use of the available tools at EU level to implement tax administration reforms.

¹ COM(2020) 312

B. What does the initiative aim to achieve and how

The specific objective of the Commission Communication is to promote the initiatives at the level of tax administrations that have proven to be effective in significantly reducing the VAT Gap. Furthermore, the Communication will identify the financing or other tools that the Commission can offer to tax administrations to implement these or similar initiatives. This is part of the wider objective to help the EU economy to recover from the impact of Covid-19, and protect and create jobs.

C. Better regulation

Consultation of citizens and stakeholders

No open public consultation on the Communication will be carried out due to its focus on tax administration practices. Member States' tax administrations have been consulted.

Evidence base and data collection

The Commission consulted the Member States in the framework of the Ninth report under Article 12 of Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (the Article 12 report). No impact assessment is envisaged, as the Communication will provide a description of best practices and an outline of tools already available at EU level to support the reform of tax administrations.

Evaluations and fitness checks

Linked initiatives:

Ninth report under Article 12 of Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (Article 12 report on VAT procedures, Decide: PLAN/2020/8402)

Study and Reports on the VAT Gap in the EU-28 Member States (Sept. 2020):
https://ec.europa.eu/taxation_customs/sites/taxation/files/vat-gap-full-report-2020_en.pdf