

Study supporting the evaluation of administrative cooperation and combating fraud in the field of value-added tax

Final report

Client: European Commission DG TAXUD

Brussels, 18 May 2023



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Executive summary

Introduction and methodology

This report provides the findings and conclusions of the evaluation of Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value-added tax (VAT). The study was commissioned by DG TAXUD and was implemented in the period July 2022 to April 2023 by Ecorys.

The Regulation seeks to contribute (1) to closer collaboration between tax authorities, (2) to fighting VAT fraud, and more specifically, VAT administrative fraud, (3) to ensure that taxes due, in particular VAT, are collected to feed national and EU budgets and thus contribute to fiscal consolidation, and (4) to facilitate the fulfilment of VAT obligations to taxpayers. It facilitates the functioning of the internal market by making the application of VAT rules easier for taxable persons and fostering closer cooperation between tax authorities. The Regulation establishes mutual assistance instruments, rules and procedures to enable the competent authorities of the Member States (MSs) to cooperate, monitor the correct application of VAT, exchange information on VAT and combat VAT fraud with each other and with the European Commission, other EU institutions or third countries.

This evaluation covers the Regulation and the full set of tools provided under its auspices. In line with the Better Regulation Guidelines, this study looks at effectiveness, efficiency, relevance, coherence and EU-added value. It has both a backward and forward-looking approach, resulting in a series of suggestions for future improvement. Effectiveness looks into the extent to which the Regulation achieves its intended objectives. Efficiency looks at whether this is achieved with the minimum costs and resources. Relevance looks at the extent to which the Regulation addresses identified needs or issues. Coherence focuses on whether the Regulation is consistent with other EU policies and regulations and whether it is able to deliver benefits that would not be possible to achieve at the national or local level alone.

The evaluation was implemented in three phases, consisting of inception, fieldwork, and reporting phase. Data was collected through desk research, key informant interviews, online surveys, case studies, and a workshop with EU MSs. In total, 44 stakeholders were interviewed, 25 MSs authorities and eight businesses were surveyed, and four case studies were conducted. Preliminary findings of the evaluation were discussed in a workshop in Brussels with representatives from EU Member State authorities and the Commission.

Overall findings and conclusions

Effectiveness

Concerning the general objectives of the Regulation, this evaluation finds that the toolbox offered to tax authorities leads to closer collaboration between tax authorities, and this way contributes to fighting VAT administrative fraud, ultimately ensuring that VAT taxes feed into national and EU budgets and thus contribute to fiscal consolidation. While various tools, e.g. VAT Information Exchange System (VIES) on the Web, facilitate the fulfilment of VAT obligations to taxpayers, the overall focus of the Regulation is creating an unfriendly environment for fraudsters.

Concerning the specific objectives of the Regulation, this evaluation concludes that administrative cooperation mostly contributes to better exploiting the existing administrative cooperation instruments and information exchange. More effective and rapid identification and dismantling of fraudulent networks is mostly linked to the ability of the Regulation to speed up the identification and investigation of cases which leads to faster responses. Overall, stakeholders consulted for this evaluation find it difficult to attribute the contribution of the tools to the objectives, particularly for the goal of improving the multidisciplinary approach to fighting and preventing VAT-related fraud. An in-depth review of the cooperation tools under the Regulation shows that MSs use the instruments and attribute effectiveness to varying degrees. The most effective tools are 1) Exchange of information; 2) E-Forms Central Application Central application (eFCA); 3) VIES; and 4) Eurofisc. It is not always possible for MSs to make a clear distinction between the tools, and often, these are used in combination. Most MSs use all tools within an 'ecosystem' of EU and national tools at their disposal to fight VAT fraud.

- *Tool 1: exchange of information* – This is seen as the most effective tool. Nevertheless, data shows that the number of information requests sent by MSs declined between 2014 and 2020. In addition, most requests are concentrated within a limited group of MSs, meaning there is an uneven use across the Union. An explanation for this is the reduced need to request information due to increasing interaction within the Eurofisc network (and TNA, the technological tool used by Eurofisc for the joint analysis) before filing a request for information. Key factors contributing to the effectiveness of these tools are the timely delivery of information; and the quality of shared information. Linked to this tool is the eFCA, which is seen as a factor helping to facilitate information exchange in an efficient manner.
- *Tool 2: Presence of officials in the territory of another MS for administrative enquiries (PAOE)* – Since 2014, this tool has been used less by MSs. Data shows a decreasing trend, partially also influenced by COVID-19 and the continuation of more online meetings. A key factor hindering this tool is the perceived labour-intensive effort against a background of limited resources to tackle VAT fraud. A key factor driving its success is the accuracy of information exchange due to the possibility of interacting directly with peers.
- *Tool 3: Simultaneous control* – This is used by almost all EU MSs, but to varying degrees. Data shows a partial positive trend in the use of this tool in combination with more MSs joining multi-country controls. This tool as such embodies cross-border cooperation in the fight against VAT fraud but risks losing appeal over administrative burden and costliness of implementation.
- *Tool 4: Schemes included in Chapter XI* – The One Stop Shop does contribute to VAT compliance by making rules easier for taxpayers but less directly influence the effectiveness of MSs in fighting VAT fraud. A strength of the tool is the possibility of automatically exchanging information and using this to build a knowledge base and, if needed, launch follow-up requests.
- *Tool 5: VAT Information Exchange System and recapitulative statements* – These tools are used extensively. VIES, as a system to exchange information coming from recapitulative statements and VAT registration among national administrations, is perceived as the gateway to information requests. Its strength is the quantity and quality of information available. The latter is also immediately a bottle-neck in case MSs do not populate the database consistently. VIES on the Web, a Commission's service to be used by businesses checking the validity of customers' VAT number validity, provides legal certainty about the application of the exemption to cross border intra EU business-to-business transactions on goods and, as such, is perceived as facilitating the fulfilment of VAT obligations by taxpayers.
- *Tool 6: E-Forms Central Application* – This is an application to facilitate the exchange of information. It allows MSs to share information in a standard form and overcome administrative

and language barriers. The use of this application is closely linked to the exchange of information between MSs. For this reason, it is widely used and is seen as effective.

- *Tool 7: VAT cross-border refund* – This tool is less commonly used, and as its purpose is not to fight fraud, it is not directly perceived to be effective in tackling VAT fraud. However, it supports cooperation between tax administrations and facilitates the fulfilment of VAT obligations by taxpayers.
- *Tool 8: Eurofisc* – This tool is used by all MSs and is perceived as highly effective. Particularly the Transaction Network Analysis (TNA), which allows MSs to analyse data and examine flows of goods, services and funds between entities involved in VAT transactions, enabling Eurofisc to detect suspicious networks, is seen as effective. A key strength of Eurofisc is the possibility of rapid contact between authorities, as well as its function as an early warning system through direct contact with peers.
- *Tool 9: Cooperation with national customs authorities* – Most MSs cooperate with national customs authorities to fight VAT fraud but to varying degrees. A key limitation is that information exchange cannot easily be automatised due to different systems used on the national level. Its strength is the ability to automatically exchange data and grant access to customs data on imports under Customs Procedure 42, as well as aggregated values benefitted from Import OSS (IOSS) scheme.
- *Tool 10: OLAF* – This evaluation finds that cooperation with OLAF is mostly unused, or stakeholders are unaware of its utility. Lack of awareness on the possibility of cooperating with OLAF, as well as existing lines of communication between tax authorities and law enforcement, and the voluntary nature of the Regulation on cooperation with the EU anti-fraud body, limit the value of this cooperation.

Efficiency

This evaluation concludes that determining the efficiency of the Regulation is difficult due to the lack of sufficient data to determine whether available resources and inputs are used in an optimal manner. Tools within the Regulation focus on increasing compliance by businesses, as well as giving tax authorities the instruments to increase VAT revenue by tackling fraud. Monetising this impact is not easy. MSs attempt to quantify the effect of the fight against VAT fraud, but different ways of measurement make a comparison or estimating the EU-wide impact difficult. Eurofisc data does show that cooperation within the network resulted, in 2021, in the identification of 2161 fraudsters, including 1471 missing trader fraud cases, and a total of EUR 8.1 billion in fraudulent or suspicious transactions uncovered.

Both businesses and public administrations carry the burden of complying with the Regulation. The weight of this burden mostly lies with the authorities. However, stakeholders generally agree that the benefits outweigh the costs. Tools that are particularly perceived as being cost-efficient are Eurofisc, eFCA (used for spontaneous exchange of information and for requests for information), VIES on the Web, and VIES.

Finally, the Fiscalis Program is seen as an effective support in the area of combatting VAT fraud. In particular, MSs confirm that the programme helps to reduce compliance costs, this way contributing to cost-efficiency. Further, this evaluation finds that stakeholders generally are positive about the efficiency and sufficiency of the support given by the Commission to MSs.

Relevance

This evaluation finds that the initial objectives of the Regulation and tools identified within still correspond to the needs of MSs in addressing the root causes of VAT fraud. MSs consider that all administrative cooperation instruments are relevant in addressing the needs, although some are to a larger extent than others. While information exchanges and Eurofisc seem to be the most frequently used cooperation tools in all MSs, the presence of officials in territories of other MSs is used to a lesser extent to respond to Member State needs in combatting VAT fraud. There is a lack of awareness of exchanges with OLAF as a tool, and tools introduced in with the 2018 amendments - most notably Exchange of Information (Eoi) in the context of OSS (Art 47i and 47j) and Eoi on request for administrative enquiries under Art 7(4a).

Further, the Regulation allows for the flexible use of different cooperation tools, which enhances their relevance. MSs use different tools at different points of the investigation process. This interaction between tools is highly appreciated and increases their usefulness.

While the objectives of the Regulation address needs to a large extent, there is room for improvement and consideration of emerging needs, particularly to address fraud committed as part of e-commerce trade. With the increase of Intra-EU cross-border transactions, there is a need to facilitate VAT compliance for honest taxpayers. The Regulation encourages cooperation, which is a key factor contributing to fighting VAT fraud, as it is essential to discover and solve VAT fraud cases. Nevertheless, developing new means of administrative cooperation seems to be needed, specifically relating to automatised manners of data exchange.

Finally, this evaluation finds that the Regulation provides sufficient mechanisms for MSs to be able to respond to technological, scientific, social and legal developments in the field of administrative cooperation and VAT fraud. Despite the fact that amending regulations is a lengthy process, continuous amendments to the Regulation indicate its adaptability. The introduction of CESOP (implementation as of 2024) is an example of an adaptive mechanism to respond to technological requirements/developments. While overall, tools under the Regulation provide mechanisms for responding to emerging trends in fraud, the roles of Eurofisc and the EPPO, and the extent to which these frameworks are exploited, should be more prominent in this regard.

Coherence

MSs appreciate the variety of tools, and the majority do not report any overlaps between them. In particular, VIES, Eurofisc, eFCA and Exchange of Information on request work well together. Automatic Exchange of Information (AEOI), without prior request, has been identified as the least coherent tool working well with other tools as such information can potentially more easily be exchanged through Eurofisc.

The Regulation has been found generally coherent with other EU legislation. Rather than overlaps, missing or insufficient links to European bodies can be observed. In particular, the missing link to the EPPO leads to legal uncertainty regarding the cooperation between MSs and the institution on VAT issues at the EU level.

The cooperation tools included in the Regulation help tax administration to exchange information, assess risks and carry out control actions. These information, risk analysis systems and actions are valuable in fighting VAT fraud. The Regulation does not have an explicit objective to directly address VAT crimes. However, there are connections between both fields; administrative VAT fraud and VAT crimes.

EU added value

VAT is a major source of revenue for both Member States' budgets and the EU budget. On the other hand, VAT is the most important harmonized tax in the European Union. Cooperation on cross-border VAT fraud on the EU level is highly appreciated by MSs. They need to cooperate to verify VAT information, and the Regulation provides a good framework for that purpose. MSs agree that the issues addressed by the Regulation should continue to be addressed at the EU level.

Lessons learnt

Based on the findings and conclusions of the evaluation, the following key suggestions are made.

1. Keep consulting with companies on how to best tackle VAT fraud or consult what compliance implications are for businesses, generating an unfavourable environment for fraudulent taxpayers to generating a friendly environment for honest taxpayers.
2. Using the VAT cross-border refund, OSS and IOSS could shield businesses from being taken advantage of by fraudsters. Consider creating awareness among Member State authorities about the ways in which these tools could enhance their potential to combat VAT fraud.
3. Invest in developing new means of cooperation, specifically relating to automatised data exchange.
4. Strengthen the compatibility of information stored in databases to enable connecting TNA tools with other existing databases (e.g. linking TNA to CESOP, given data-protection rules allow).
5. The effectiveness of VIES on the Web and VIES is somehow hindered by a lack of full harmonisation on how MSs populate these databases.
6. eFCA still experiences technical issues, such as limited memory space to attach information. Consider addressing these technical issues.
7. The toolbox provided by the Regulation includes a wide range of tools aiming to foster cooperation, fight VAT fraud and enable taxpayers to fulfil VAT obligations. MSs use different tools under the Regulation simultaneously and to different degrees. In particular, not all of the MSs seem aware of the value added of new tools (such as 7(4a) and 28(2a)) and how they can be effectively used.
8. Deepen the engagement of all national tax administrations in Eurofisc is critical because fast and active participation of ALL the MSs is needed to stop as soon as possible the impact on VAT revenues derived from cross-border VAT fraud, particularly MTIC fraud. Moreover, Eurofisc should explore how to improve the way to exploit the sources of information at its disposal and potential new sources. Finally, Eurofisc should deepen the results of administrative cooperation in fighting other types of fraud than MTIC fraud (e.g. related to excise duties or trade-based money laundering resulting in VAT fraud).
9. Consider the establishment of an operational team that is ready for the coordination of Eurofisc follow-up actions after cases of potential VAT fraud have been identified.
10. Clarify the roles of the EPPO (not currently included in Regulation 904/2010) and OLAF to create an environment for better exploiting the interaction between different tools, for example, in the case of Eurofisc.

Abbreviations

Abbreviations

AEOI	Automatic Exchange of Information
B2B	Business to Business
B2C	Business to Consumer
CCN	Common communication network
CESOP	Central Electronic System of Payment Information
CLO	Central Liaison Office
CSI	Common system interface
DG ECFIN	The Commission's Directorate-General for Economic and Financial Affairs
DG TAXUD	The Commission's Directorate-General for Taxation and Customs Union
DRR	Digital Reporting Requirements
EC	European Commission
ECA	European Court of Auditors
eFCA	e-Forms Central Application
EMEA	Europe, the Middle East, and Africa
EMPACT	European Multidisciplinary Platform Against Criminal Threats
EoI	Exchange of Information
EoIR	Exchange of Information on Request
EPPO	European Public Prosecutor's Office
EU	European Union
EU AIAC	EU Advanced International Administrative Cooperation Community
EUR	Euro
Europol	European Union Agency for Law Enforcement Cooperation
Interpol	The International Criminal Police Organization
IOSS	Import One Stop Shop
ML	Money laundering
MLCs	Multilateral controls
MOSS	Mini One Stop Shop
MSs	Member States
MTIC	Missing Trader Intra Community
OLAF	The European Anti-Fraud Office
OSS	One Stop Shop
PAOE	Presence of tax officials in administrative offices and/or participation in administrative enquiries in the territory of another Member State
SCAC	Standing Committee on Administrative Cooperation
SOCTA	Serious and Organised Crime Threat Assessment
TNA	Transaction Network Analysis
ToR	Terms of Reference
VAT	Value Added Tax
VIES	VAT Information Exchange System
VRN	VAT registration number

Country codes

Austria	AT
Belgium	BE
Bulgaria	BG
Croatia	HR
Cyprus	CY
Czech Republic	CZ
Denmark	DK
Estonia	EE
Finland	FI
France	FR
Germany	DE
Greece	EL
Hungary	HU
Ireland	IE
Italy	IT
Latvia	LV
Lithuania	LT
Luxembourg	LU
Malta	MT
Netherlands	NL
Poland	PL
Portugal	PT
Romania	RO
Slovakia	SK
Slovenia	SI
Spain	ES
Sweden	SE
United Kingdom	UK

Glossary of terms

Administrative enquiry	All controls, checks and actions taken by MSs when performing duties related to the VAT legislation.
Automatic exchange of information (AEOI)	Systematic communication of predefined information to another Member State without prior request.
Automated access to information	This refers to the possibility of accessing information in an electronic system without delay.
Central Liaison Office (CLO)	The Member State office designated with the responsibility for contact with other MSs in the field of administrative cooperation.
CCN/CSI network	A common platform based on the common communication network and common system interface developed by the EU to ensure all transmission by electronic means between competent authorities in the area of customs and taxation.
electronic Forms Central Application (eFCA)	A central Web-based application to manage the e-Forms in the context of administrative cooperation in the fields of direct taxation, VAT and recovery of claims.
European Public Prosecutor's Office (EPPO)	The EPPO is the EU's independent public prosecution office responsible for investigating, prosecuting and bringing to judgment crimes against EU financial interests. These include several types of fraud, such as VAT fraud, when the conditions established are met.
Eurofisc	A network comprised of VAT fraud experts from the 27 MSs and Norway, working in different areas of VAT fraud.
European Union Agency for Law Enforcement Cooperation (Europol)	Europol supports its MSs in preventing and combating all forms of serious international and organised crime, cybercrime and terrorism.
European Anti-Fraud Office (OLAF)	OLAF investigates fraud against the EU budget, corruption and serious misconduct within the European institutions and develops anti-fraud policies for the European Commission.
Multilateral Controls (MLC)	This concept is not included in Regulation 904/2010, but it is in Regulation (EU) 2021/847 of the European Parliament and of the Council of 20 May 2021 establishing the 'Fiscalis' programme: "Multilateral or simultaneous control, consisting in the coordinated checking of the tax situation of one or more

One Stop Shop (OSS)	<p>related taxable persons, that is organised by two or more participating countries, including at least two MSs, with common or complementary interests”.</p> <p>The system introduced by the EU to simplify the process of declaring and paying VAT on cross-border e-commerce transactions within the EU.</p>
<p>Presence of tax officials in administrative offices and/or participation in administrative enquiries in the territory of another Member State (PAOE)</p>	<p>Presence in administrative offices and participation in administrative enquires of officials authorised by the requesting authority in the territory of the requested authority under the conditions of Article 28. In 2018, paragraph 2a was added, providing a legal basis for administrative enquires carried out jointly. Moreover, paragraph 4a was added to Article 7, providing a legal basis for presence and participation in the context of administrative enquiries requested by at least two MSs. In the EU AIAC terminology, they are called PAOE - “new VAT instruments”.</p>
<p>Standing Committee on Administrative Cooperation (SCAC)</p>	<p>Composed of officials from national tax administrations and Ministries of Finance, this Committee supports the Commission in the implementation of the legal framework governing administrative cooperation in the field of VAT (Council Regulation (EU) No 904/2010).</p>
Simultaneous control	<p>Coordinated checks on the tax situation of a taxable legal or natural person by two or more participating MSs with common or complementary interests.</p>
<p>Spontaneous exchange of information</p>	<p>Non-systematic communication to another Member State at any moment and without prior request.</p>
<p>Transaction Network Analysis (TNA)</p>	<p>An electronic system used by Eurofisc to rapidly exchange and jointly process VAT data, enabling Eurofisc to detect suspicious networks earlier and more efficiently.</p>
<p>VAT Information Exchange System (VIES)</p>	<p>System to exchange information on VAT identification numbers and recapitulative statements submitted by taxable persons involved in intracommunity trade from all MSs of the European Union.</p>
VIES on the WEB	<p>An online platform that allows businesses to check the validity of VAT registration numbers (VRN) of taxable persons involved in intracommunity trade and related information issued by other EU MSs.</p>

1 Introduction

This chapter will present the evaluation objectives and scope of the study (section 1.1). Additionally, the context of the study will be introduced (section 1.2), including legal background, the relevance of administrative cooperation, and current developments and modernisation.

1.1 Evaluation objectives and scope

The aim of this study is twofold:

- To collect relevant information and evidence in order to assess the functioning of the Regulation (including subsequent amendments) and the extent to which it fulfils specific and general objectives - **summative**.
- To collect evidence on problems surrounding the functioning of the Regulation and this way support the European Commission (EC) in further amending the Regulation to enhance cooperation against cross-border VAT fraud - **formative**.

In terms of scope, this evaluation will look at how the administrative cooperation tools, rules and procedures foreseen by the Regulation have performed since 2014. This includes all tools and measures introduced by subsequent amendments, except those not applicable.² The evaluation will look at the overall toolbox approach by the Regulation, and, where possible, detailed analysis will be provided per tool.

Table 1.1 Cooperation tools

Cooperation tools included in the scope		Reference to article Regulation
1.	Exchange of information 1.1. On request: 1.1.1. Request for information and for administrative enquiries (Art. 7.1, 7.2 and 7.4) 1.1.2. Common reasoned request submitted by competent authorities of at least two MSs; "Mandatory" (Art. 7(4a)) 1.1.3. In the context of the OSS (Art. 47i and 47j) ³ 1.2. Spontaneous. exchange of information without prior request (Art. 15) 1.3. Automatic exchange of information without prior request (Art. 14) 1.4. Feedback for requests of Article 7 or 15 (Art. 16) 1.5. Request for administrative notification (Art. 25)	7-15, 25

² Such as those introduced by Council Regulation (EU) 2020/283 and Council Directive (EU) 2020/285.

³ Article 47i and 47j are tools to control transactions and taxable persons in the context of the OSS. Article 47i provides Member State of consumption with legal basis to make a request to the Member State of identification. Article 47j obliges Member State of identification to inform in advance to the competent authorities of all the other MS about its decision to carry out in its territory an administrative enquiry on a taxable person who makes use of one of the special schemes. Moreover, if the Member State of consumption decides that an administrative enquiry is required, it shall first consult with the Member State of identification on the need for such an enquiry. In cases where the need for an administrative enquiry is agreed, the Member State of identification shall inform the other MS.

Cooperation tools included in the scope		Reference to article Regulation
2 ⁴ .	Presence of tax officials in administrative offices and/or participation in administrative enquiries in the territory of another Member State (PAOE) 2.1. Presence in administrative offices (Art. 28) 2.2. Presence during administrative enquiries (Art. 28) 2.3. Administrative enquiries carried out jointly (Art. 28(2a)) 2.4. Presence and participation in the context of (Art. 7 (4a))	28 7(4a)
3.	Simultaneous checks (Art. 29)	29
4.	Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS, Art. 47a -47l) ⁵	47a -47l
5	5.1. VIES and recapitulative statements. (Art. 17 and 21) 5.2. VIES ON THE WEB and validation of VAT number (Art. 31).	17 and 21 31
6	E-Forms Central Application (eFCA)	
7	VAT cross-border refund Chapter XII	48
8	Eurofisc including: <ul style="list-style-type: none"> Operational working fields (WF 1 MTIC, WF2 means of transport) and WF 5 (e-commerce) TNA Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information, EUCARIS (Art. 21a) Other tools, such as invalidation of the VAT Registration Number 	33 - 37
9	Cooperation with national customs authorities, including access to Customs Database (Surveillance)	17 and 21
10.	OLAF (introduced in 2018 Art. 49(2a) MSs may communicate to OLAF relevant information)	49

1.2 Context of the study

VAT fraud is a persistent form of tax fraud rooted in abusing VAT rules at national and international levels through cross-border transactions. Since VAT treats intra-Community and local supplies differently, VAT fraud takes advantage of legislation under which trade across Member State borders is exempt from VAT (the so-called Missing Trader Intra-Community (MTIC) fraud). Other common types of fraud are e-commerce fraud, including undervaluation of parcels; import VAT fraud using, e.g. Customs Procedure 42; and fraud with cars because of the different VAT treatment of new and used vehicles. As such, VAT fraudsters avoid paying VAT, do not pay the total amount, or fraudulently claim VAT refunds from national authorities.

1.2.1 Legal background in administrative cooperation

Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT (from now on the Regulation) seeks to contribute to (1) closer collaboration between tax authorities, (2) fighting VAT fraud, and more specifically VAT administrative fraud, (3) ensuring that taxes due, in particular VAT, are collected to fund national and EU budgets and thus contribute to fiscal

⁴ Presence in administrative offices and participation in administrative enquiries of officials authorised by the requesting authority in the territory of the requested authority, under the conditions of Article 28. In 2018, paragraph 2a was added providing legal basis to administrative enquiries carried out jointly. Moreover, paragraph 4a was added to Article 7 providing legal basis to presence and participation in the context of administrative enquiries requested by at least two MSs. In the EU AIAC terminology, they are called PAOE - "new VAT instruments".

⁵ Recapitulative statements and the OSS schemes are set by the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (VAT Directive). Regulation 904 makes it possible to exchange recapitulative statement (VIES), to validate VAT numbers (VIES on the Web) and to apply OSS by the establishment of tax cooperation among MSs.

consolidation, and (4) facilitating the fulfilment of VAT obligations to taxpayers. It facilitates the functioning of the internal market by making the application of VAT rules easier for taxable persons, i.e. through tools such as VIES on the Web and the OSS, but most importantly, by fostering closer cooperation between tax authorities.

The Regulation establishes (mutual assistance) instruments, rules, and procedures to enable the competent authorities of the Member States (MSs) to cooperate, monitor the VAT application, exchange information on VAT, and combat VAT fraud with each other and with the European Commission, other EU institutions (e.g. Europol and the European Anti-Fraud Office OLAF), or third countries.⁶ The MSs have established a Central Liaison Office (CLO) as a contact point for the other MSs and the Commission. This office must keep a list of designated officials and liaison offices.⁷

The Regulation sets out the rules for the automatic and spontaneous exchange of information, the exchange of information on request (EoIR), and the grounds for refusing to provide information.⁸ Information exchanges between MSs can take different shapes, including spontaneous exchange of information, exchange of information on request, AEOI, and administrative enquiries carried out jointly, as well as simultaneous checks.⁹ Furthermore, the Regulation determines that where a competent authority provides information, it may request that the competent authority that receives the data gives feedback¹⁰, as well as containing rules on storing information.¹¹

Relevant amendments by 2018/1541 and 2018/1909

Articles 7(1 and 2), an authority will communicate information at the request of the requesting authority. The requested authority will arrange for administrative enquiries if necessary. Article 7(4) indicates furthermore that, as of 1 January 2015, the request referred to in article 7(1) can be accompanied by a request for a specific administrative enquiry to be undertaken by the involved authorities. It concerns the exchange of 'any information that may help to effect a correct assessment of VAT, monitor the correct application of VAT, particularly on intra-Community transactions, and combat VAT fraud'.

Regulation 2018/1541 added Article 7(4a). This new article indicated that where the competent authorities of at least two MSs consider that an administrative enquiry into the amounts declared by a taxable person in connection with the supplies of goods or services is required, and when they submit a common reasoned request, the requested authority shall not refuse to undertake that enquiry except on specific grounds. Moreover, Article 7 (4a) also establishes the possibility, under certain conditions, of the participation and presence of officials from the requesting MS in the administrative enquiry.

Article 13(1) specifies that in three situations, the competent authority shall, without prior request, forward information. Article 13(3) determined that this ought to occur through standard forms. However, this last article was amended in Regulation 2018/1541. The new article states that in cases where the respective competent authorities deem other secure means (other than the standard forms) more appropriate for information sharing, they are allowed to use these. The amendment furthermore specifies that the Commission shall adopt the standard forms by means of implementing acts.

⁶ See: e.g., Article 1, Council Regulation (EU) 904/2010. The provisions regarding the relations with the European Commission and with third countries are respectively laid down in Chapter XIII and Chapter XIV Council Regulation (EU) 904/2010.

⁷ Article 4, Council Regulation (EU) 904/2010.

⁸ Chapter II, III and XV, Council Regulation (EU) 904/2010.

⁹ Ibid.

¹⁰ Chapter IV, Council Regulation (EU) 904/2010.

¹¹ Chapter V, Council Regulation (EU) 904/2010.

Subsequently, the Regulation sets out rules on the control activities (e.g. multilateral controls, from now on MLCs) by the MSs.¹² The Regulation also provides instruments and networks to facilitate administrative cooperation between the MSs, such as the CCN/CSI network¹³, VIES¹⁴, and Eurofisc.¹⁵

Article 28 is extended by [adding paragraph 2a, providing a legal basis for administrative enquiries carried out jointly in the territory of the requested Member State to collect and exchange information](#). Such administrative enquiries shall be carried out jointly by the officials of the requesting and requested authorities and shall be conducted under the direction and according to the legislation of the requested Member State. The officials of the requesting authorities shall have access to the same premises and documents as the officials of the requested authority and, in so far as it is permitted under the legislation of the requested Member State for its officials, be able to interview taxable persons.

[Eurofisc](#) is a network of VAT fraud experts from the 27 MSs as well as Norway, working in different areas of VAT fraud risk. It was established in 2010 by the Council Regulation (EU) No 904/2010 on administrative cooperation and the fight against fraud in the field of VAT to enhance EU capability in combatting VAT fraud and operating as an EU hub on countering VAT fraud.¹⁶ Eurofisc aims to promote and facilitate multilateral cooperation in the fight against VAT fraud, i.e. to fight VAT fraud by quickly exchanging information and analysing the risks. The Eurofisc network coordinates information exchanges between MSs' tax administrations.

Relevant amendments by 2018/1541

[Article 33\(1\) was extended and now indicates that Eurofisc can also be used to coordinate any follow-up actions.](#)

[Article 33\(2\) was extended and indicates that Eurofisc is now also responsible for carrying out exchanges and joint processing of analyses. The amendment also added that Eurofisc can now coordinate participating MSs' administrative enquiries of fraud identified by the Eurofisc liaison officials without the power to require MSs to carry out administrative enquiries.](#)

[Article 34\(2\) was extended to reinforce that all Eurofisc members are to be active in the joint processing and analysis of targeted information on cross-border fraud between all participating MSs and in coordinating any follow-up actions.](#)

[Article 35 was amended to include an exception for the European Commission to have access to Eurofisc information only in so far as it is necessary for the care, maintenance, and development of the electronic systems hosted by the Commission.](#)

[Article 36\(1a\) was inserted to indicate \(among other things\) that liaison officials of the MSs shall designate a Eurofisc chairperson among the Eurofisc liaison officials for a limited period. The liaison officials shall also agree on the establishment and termination of Eurofisc working fields, examine any issues relating to the operational functioning of Eurofisc, assess, at least yearly, the effectiveness and efficiency of the operation of Eurofisc activities, and approve the annual report.](#)

¹² Chapter VI-VIII, Council Regulation (EU) 904/2010.

¹³ The CCN/CSI network is defined as: *'the common platform based on the common communication network (hereinafter the 'CCN') and common system interface (hereinafter the 'CSI'), developed by the Union to ensure all transmissions by electronic means between competent authorities in the area of customs and taxation.'* Article 2 paragraph 1 section q, Council Regulation (EU) 904/2010.

¹⁴ With VIES *'persons involved in the intra-Community supply of goods or of services and non-established taxable persons supplying services, are allowed to obtain, for the purposes of such transactions, confirmation by electronic means of the validity of the VAT identification number of any specified person as well as the associated name and address'*. Article 31, Council Regulation (EU) 904/2010; Chapter IX, Council Regulation (EU) 904/2010.

¹⁵ Article 33, Council Regulation (EU) 904/2010; Chapter IX, Council Regulation (EU) 904/2010.

¹⁶ See: https://ec.europa.eu/taxation_customs/taxation-1/vat-and-administrative-cooperation_en

Article 36(2) was amended to indicate slightly different roles and responsibilities for the liaison officials of the MSs participating in a particular Eurofisc working field.

Articles 36(3), 36(4) and 36(5) were added to indicate (in short) that Eurofisc working field coordinators may request relevant information from Europol and OLAF. For this purpose, and as agreed by the working field participants, they may send them as much information as necessary to receive the requested information. Also, Eurofisc working field coordinators shall make the information received from Europol and OLAF available to the other participating Eurofisc liaison officials; this information shall be exchanged by electronic means. Finally, Eurofisc working field coordinators shall also ensure that the data received from Europol and OLAF is processed and analysed together with the relevant, targeted information communicated or collected pursuant to this Regulation, as agreed by the working field participants, and shall make the results available to the participating Eurofisc liaison officials.

Article 37 was amended to indicate that the Eurofisc chairperson shall submit an annual report on Eurofisc activities to the SCAC.

In addition, Eurofisc experts have access to TNA, an IT risk analysis tool providing early warning signals to the MSs for the identification of suspicious transactions and networks. In this way, information on cross-border transactions can be accessed quickly and easily and suspected VAT fraud can be reported almost in real-time. In addition to closer cooperation between Eurofisc anti-fraud experts in analysing VAT fraud information, TNA also promotes cooperation and information exchange between the Eurofisc liaison officials of the MSs. Eurofisc officials can now cooperate with Europol and OLAF pursuant to Article 36.¹⁷

Furthermore, the Regulation includes provisions¹⁸ that deal with the special VAT schemes for e-commerce¹⁹ (i.e. the One Stop Shop (OSS)). These provisions include the exchange of information upon registration of a taxable person for the special scheme and the exclusion of such a taxable person from the scheme, the transmission of VAT returns, and payments by the Member State of Identification.

The Regulation also requires MSs to forward VAT refund requests they receive from taxable persons established in other MSs to the authorities of the MS concerned. This is done electronically within 15 days of receiving the request. It also sets out the conditions under which the authorities of the EU refund countries must inform the authorities of the other MS.²⁰

Relevant amendments by 2018/1541 and 2018/1909

Article 17(1) was extended as it also indicated that information on the country of origin, the country of destination, the commodity code, the currency, the total amount, the exchange rate, the item price, and the net weight could be noted and stored.

Article 17(2) was amended and now notes that the Commission shall adopt by means of implementing acts the technical details concerning the automated enquiry of information.

Article 17(3) was added and indicates that the Commission shall determine by means of implementing acts the data elements of the information referred to in point (f) of paragraph 1 of article 17.

¹⁷ See: <https://eucrim.eu/news/new-data-mining-tool-combat-vat-fraud/>

¹⁸ Chapter XI, Council Regulation (EU) 904/2010.

¹⁹ Chapter 6 of Title XII, Directive 2006/112/EC.

²⁰ Chapter XII, Council Regulation (EU) 904/2010.

Article 21(1a) was extended and now notes that each Member State shall grant its officials who check the requirements provided for in Article 143(2) of Directive 2006/112/EC access to the information referred to in points (a) to (c) of Article 17(1) of this Regulation, for which automated access is granted by the MSs.

Article 21(2e) was extended to include the detection of fraud as well, while the reference to Eurofisc liaison officers having access only during office hours is removed.

Article 21(3) was added and notes that the Commission shall determine the practical arrangements as regards the conditions to enable the Member State providing the information to identify the Eurofisc liaison official accessing the information.

Article 21(a) was added, stating that every Member State shall grant the competent authority of any other Member State automated access to the specific information in relation to national vehicle registrations. It also lays down the conditions under which access can be granted and how information can be shared (article 21A.2 and 21A.3)

Article 24 is amended to also hold MSs responsible for keeping all systems that are used for information exchange up to date.

Finally, the EU Advanced International Administrative Cooperation Community (AIAC) is not a platform created by the Regulation; however, EU AIAC covers a number of cooperation tools included in the Regulation. It also covers cooperation tools included in the EU rules governing cooperation in the field of direct taxation (Council Directive 2011/16/EU), excises (Council Regulation (EU) No 389/2012), and recovery (Council Directive 2010/24/EU). The EU AIAC Community was launched in February 2022 under the Fiscalis Programme; it replaced the Multilateral Control Platform and consisted of EU Member State representatives to prioritise the development, promotion, and support for the use of advanced tax cooperation among MSs. It covers PAOEs and SCs (also cooperation tools of Art 7 (4a) and 28 (2a) introduced in 2018 have been qualified as “new VAT PAOEs” by “EU AIAC terminology”).

1.2.2 The importance of administrative cooperation in light of the fight against VAT fraud

With the creation of the Internal Market and the abolition of borders between MSs, the control of the cross-border supply of goods had to move from customs declarations to simplified declarations called recapitulative statements and exchanged in the VIES system. This system allows taxable persons performing cross-border transactions to meet their VAT obligations, as they can confirm the VAT number of their counterparts and gives tax administrations the necessary information to control these transactions within the tax jurisdictions as VAT data is exchanged among tax administrations.

Besides the fundamental role of allowing tax administration to control cross-border transactions, VAT administrative cooperation is also crucial for fighting VAT fraud at the EU and national levels. Cross-border transactions are used by fraudsters to blur the chain of transactions and to prevent efficient checks by tax administrations. The importance of the enhanced cooperation between MSs to fight VAT fraud was recognised by the Council in 2008²¹ following the Commission’s communication²².

Fighting cross-border VAT fraud, MTIC fraud is also important in the area of organised crime. The EU Serious and Organised Crime Threat Assessment (SOCTA) of 2021 described how criminal organisations are using their international capabilities to establish fraudulent VAT fraud networks²³.

²¹ See: https://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ecofin/103209.pdf

²² See: <https://eur-lex.europa.eu/EN/legal-content/summary/vat-anti-fraud-strategy.html> and <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52008DC0807>

²³ See: https://www.europol.europa.eu/cms/sites/default/files/documents/socta2021_1.pdf

Similar conclusions were confirmed in the previous SOCTA assessments²⁴. The Council has confirmed the importance of this crime area by adding it to the EU's top priorities for international law enforcement actions coordinated at the Europol level for the period 2022-2025.^{25 26} According to the latest VAT gap figures, MSs lost EUR 93 billion in VAT revenues in 2020.²⁷ Conservative estimates suggest that roughly a quarter of missing revenues can be attributed to VAT fraud linked to intra-EU trade.²⁸

The resources of tax administrations (and OLAF) are limited to administrative procedures, which means that they cannot impose criminal sanctions. The Regulation, therefore, is primarily of an administrative nature. The investigation and prosecution of VAT crime lie within the purview of the European Public Prosecutor Office (EPPO) and national prosecution services (with the support *inter alia* of OLAF, Europol and tax authorities), leading to judgements in national courts. The administrative side regularly launches cases to be further carried out by the criminal side. Vice versa, criminal investigations often require help from the administrative side. Although it is important to mention these linkages between the criminal and administrative procedures, it is equally important to emphasise that the focus of this evaluation is on the administrative procedures as laid down in the Regulation.

1.2.3 Developments and modernisation

From January 2024, tax authorities will have another instrument at their disposal to detect possible VAT fraud in e-commerce by sellers established in another Member State or in a non-EU country: the Central Electronic System of Payment Information (CESOP)²⁹ introduced by Council Regulation (EU) 2020/283 as a measure to strengthen administrative cooperation in order to combat VAT fraud. The information can be accessed by Eurofisc liaison officials and requires payment service providers to transmit information on cross-border payments from MSs and on the beneficiaries of these cross-border payments. Under this package, payment service providers offering payment services in the EU must monitor the recipients of cross-border payments and transmit information on those receiving more than 25 cross-border payments per quarter to the MSs' administrations. The information will be centralised in a European database, CESOP, where it will be stored, aggregated, and cross-checked with other European databases.³⁰

EU efforts have also led to a modernisation of VAT reporting obligations, in particular, to adapt EU cross-border trade to the realities of e-commerce, including the VAT OSS, which simplified the supply of goods and services to non-taxable persons facilitating cross-border trade.³¹ Implementing Regulation (EU) 2020/21, laying down detailed rules for implementing certain provisions of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of VAT, providing details on the operation of the OSS for VAT on the sale of goods and services online.

In addition, Directive (EU) 2020/285 introduces simplified rules to reduce the administrative burden and compliance costs for small businesses and to create a more advantageous tax environment to help them grow and trade more efficiently across borders. Small businesses can benefit from the simplified VAT rules if their annual turnover is below a threshold set by the Member State concerned, which cannot be higher than EUR 85,000. These new rules will apply from 1 January 2025.³²

²⁴ See: <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>

²⁵ See: <https://www.europol.europa.eu/crime-areas-and-statistics/empact>

²⁷ See: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7514

²⁷ See: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7514

²⁸ It should be noted that the VAT Gap report is not only about fraud, and also not only about cross border fraud.

²⁹ It should be highlighted that CESOP is outside of the evaluation's scope. However, it could be used as a good example on how to jump from a scheme based on the automatic EoI, to another based on the access of information stored at central level.

³⁰ See: https://ec.europa.eu/taxation_customs/taxation-1/central-electronic-system-payment-information-cesop_en

³¹ See: https://ec.europa.eu/taxation_customs/business/vat/vat-e-commerce/modernising-vat-cross-border-e-commerce_en

³² It should be noted that Directive (EU) 2020/285 does not fall within the scope of the study at hand.

Following the Action Plan for fair and simple taxation³³, the Commission proposed new legislation on “VAT in the digital age” (ViDA) on 8 December 2022.³⁴ With the aim of improving VAT collection and oversight, as well as reducing excessive compliance burdens for businesses and tax administration offices,³⁵ the Action Plan aims to modernise VAT reporting obligations (e.g. Digital Reporting Requirements (DRR)³⁶), addressing the challenges of the platform economy and avoid the need for multiple VAT registrations.³⁷ The OSS³⁸ and IOSS regimes have come into force by 1 July 2021 as part of the VAT e-commerce package. These two regimes alleviated the registration burden for businesses carrying out transactions in other MSs.³⁹

³³ An action plan for fair and simple taxation supporting the recovery strategy, COM(2020) 312 final.

³⁴ See: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7514 ; https://taxation-customs.ec.europa.eu/taxation-1/value-added-tax-vat/vat-digital-age_en

³⁵ Impact Assessment Report accompanying the Proposal for a Council Directive amending Directive 2006/112/EC, SWD(2022) 393 final, pp. 13-14.

³⁶ DRR does not fall within the scope of the study at hand.

³⁷ [Commission work programme 2022: Making Europe stronger together, COM\(2021\) 645 final](#)

³⁸ An impact assessment is currently finalised on OSS and is expected to be published in December 2022. For the scope of this study, focus is placed on articles 47i and 47j.

³⁹ Impact Assessment Report accompanying the Proposal for a Council Directive amending Directive 2006/112/EC, SWD(2022) 393 final, p. 21.

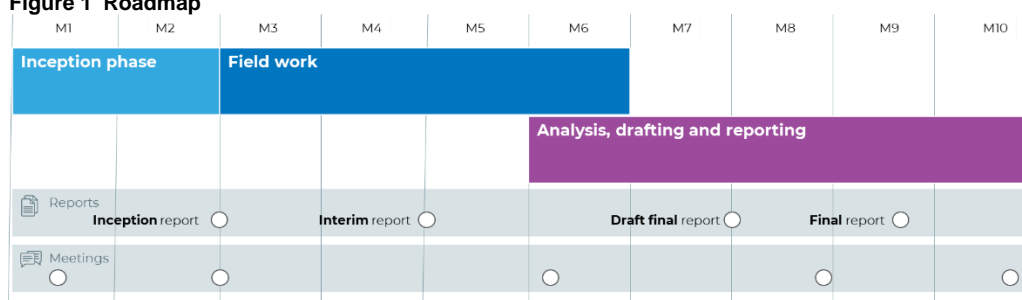
2 Approach and methodology

In this chapter, the intervention logic (2.1), the evaluation questions, criteria and matrix (2.2), the data collection tools (2.3), and methodological challenges (2.4) will be presented.

This study consisted of three phases, namely: (1) an inception phase during which the methodology was finetuned, data collection activities started, and stakeholder consultations were prepared. During the (2) fieldwork phase, various data collection activities were conducted (i.e. desk research, interviews, surveys), and initial findings from these activities were drawn up. In the final (3) analysis, drafting and reporting phase, conclusions were drawn and written in the final report.

The following visualisation illustrates this overall approach.

Figure 1 Roadmap



Source: own elaboration

2.1 Intervention logic

This study starts with an understanding of the objectives the Regulation aims to achieve.⁴⁰ These are based on the following *needs* (problems):

- N1 The need for MSs to react quickly.
- N2 The need for improved administrative cooperation.
- N3 The need for MSs to act in the most efficient manner before fraud is perpetrated.

These problems form the basis of the Regulation's *general objectives* (GO), namely:

- GO1 To ensure closer collaboration between tax authorities.
- GO2 To contribute to fighting VAT administrative fraud.
- GO3 To ensure that VAT taxes due are collected to feed national and EU budgets and contribute to fiscal consolidation.
- GO4 To facilitate the fulfilment of taxpayers' VAT obligations.

More *specifically*, the objectives are (SO):

- SO1 To utilise the existing administrative cooperation instruments in the field of fighting VAT-related fraud more effectively and to improve EoI between MSs.
- SO2 To contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT.
- SO3 To improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity

⁴⁰ These are detailed in a more precise way in the Impact Assessment accompanying the proposal for Regulation (EU) 2018/1541.

These are operationalised through the following objectives (OO):

- OO1 To speed up information exchange and joint processing of data related to VAT by Eurofisc.
- OO2 To improve the identification and targeting of potential fraudsters.
- OO3 To provide for new/improved channels for access to and sharing of VAT-related information⁴¹.
- OO4 To improve the effectiveness of checks and the sharing of VAT-related information in the context of imports.
- OO5 To facilitate joint VAT fraud administrative enquiries.

The following table shows how the operational, specific, and general objectives are linked to the needs identified.

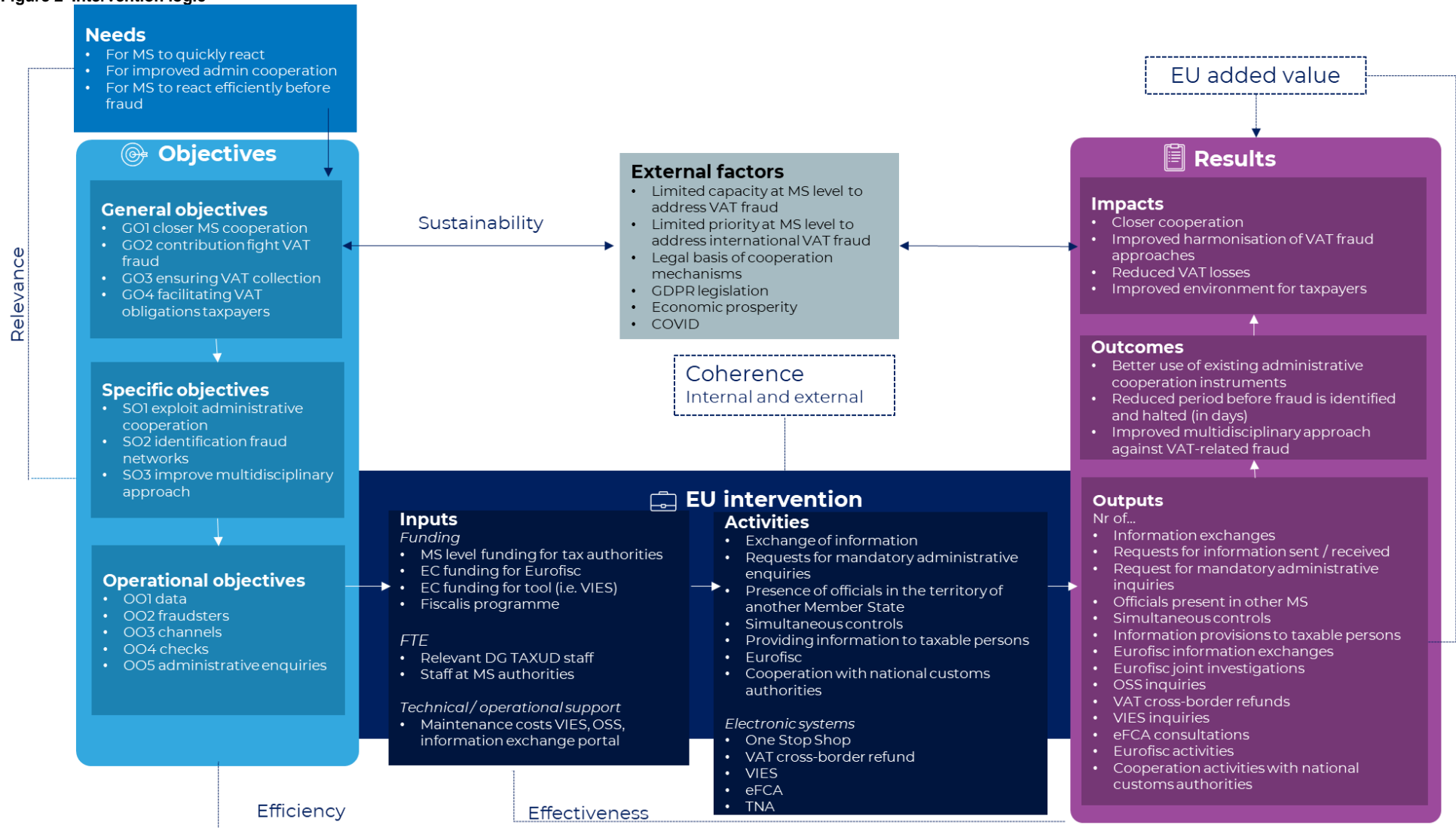
In order to achieve these objectives, stakeholders deploy resources (**input**) which translate into **activities** (e.g. the different cooperation tools). This is the EU intervention which results in outputs, results, and impacts. **Outputs** are direct results. They are closely aligned with the intervention's operational objectives. **Outcomes** (or results) are intermediate to short-term changes that can be attributed to the Regulation. They can also be linked to specific objectives of the intervention. **Impacts** are the effects over a longer period of time and can be matched with the general objectives of the Regulation. They are, in general, also closest to the core needs which triggered the intervention.

The following figure presents an elaboration of the intervention logic underpinning the Regulation.⁴² The intervention logic is built around five core elements of the evaluation: effectiveness, efficiency, relevance, coherence, and EU-added value.

⁴¹ Including information from other bodies.

⁴² Annex II includes a table form of the intervention logic.

Figure 2 Intervention logic



Source: own elaboration

2.2 Evaluation questions and criteria

On the basis of the intervention logic, this study answered a list of evaluation questions concerning the following criteria: effectiveness; efficiency; relevance; coherence; EU added value.

The evaluation criteria have been used to build an evaluation framework, which contains: evaluation questions; judgement criteria; indicators; data sources; data collection, and analysis methods. The questions are organised per evaluation criterion. Each question is subsequently operationalised through the judgement criteria, which make the phenomenon for observation explicit. Measurement was done through indicators. Data sources, collection and analysis methods point to the sources and means by which indicators have been measured. In order to increase the reliability of the information, methods have been triangulated.

The evaluation questions are included in Annex II, and an evaluation matrix (including general and specific questions, judgment criteria, indicators and sources) per criteria is included as well.

2.3 Data collection tools

In the implementation of this study, various quantitative and qualitative data collection tools and methods were used: desk research, stakeholder consultation (including interviews and targeted consultation through online surveys), and case studies.

Desk research

During the desk research, the following sources were consulted: national legislation (*inter alia* laws, regulations and administrative provisions, procedures and protocols of general applicability); progress reports and strategic policy documents from the European Commission and relevant EU agencies; academic research and think tank publications. As part of the desk research, statistical research of relevant databases at the international, EU and national levels was conducted. This allowed for the collection of relevant quantitative data and information on situational trends with regard to the combat of VAT fraud on the EU and Member State levels.

Additional relevant documentation was identified through sources used in the impact assessment, as well as internal documentation shared by DG TAXUD, including Eurofisc annual reports, statistical data, and other relevant non-public information. In the analysis of the written documentation, Atlas.ti was used. The systematised qualitative information obtained from these written documents formed the basis for filling in the evaluation template. A full list of consulted documentation can be found in Annex V.

Stakeholder consultation strategy

First, and in line with the Better Regulation Guidelines, a [mapping](#) of the relevant stakeholders was made to then deploy data collection resources. A distinction was made between EU and national stakeholders and public and private sector stakeholders.

The main target audiences for data collection have been **national tax authorities**⁴³ in charge of the enforcement of the Regulation.⁴⁴ Within the context of the Regulation, the following key functions are noted:

- ‘**central liaison office (CLO)**’ means the office which has been designated pursuant to Article 4(1) with principal responsibility for contacts with other MSs in the field of administrative cooperation; (or ‘liaison department’).
- ‘**requesting authority**’ means the CLO, a liaison department or any competent official from an MS who makes a request for assistance on behalf of the competent authority;
- ‘**requested authority**’ means the CLO, a liaison department or any competent official of the MS who receives a request for assistance on behalf of the competent authority.

Business / economic operators are directly impacted by this Regulation due to their reporting obligation. Economic operators carrying out cross-border transactions are affected by this framework as users of the VAT OSS when they declare and pay the VAT derived from transactions addressed to final consumers and as users of the VIES, checking the validity of VAT numbers when supplying goods or services to another Member State.

Forums organised at the EU level constitute platforms where issues in relation to the implementation of Regulation (EU) 904/2010 are addressed, as well as solutions envisaged to tackle them. These forums, where administrative cooperation and fighting against tax fraud matters are discussed amongst MSs and with the European Commission, have been another key stakeholder group consulted for the study. These include the Standing Committee on Administrative Cooperation (SCAC) as provided for by Article 58 of Regulation (EU) 904/2010 and its Expert Group, the Eurofisc Group, and its targeted working fields.

The SCAC is composed of officials from national tax administrations and ministries of finance. It supports the European Commission in the implementation of the legal framework governing administrative cooperation in the field of VAT (Council Regulation (EU) No 904/2010) and is essential for the smooth functioning of the key elements of VAT administrative cooperation: Eurofisc, electronic systems such as VIES, eFCA, OSS, IOSS, and VAT Refund.

Several **relevant EU institutional actors** regarding VAT fraud and VAT crimes include the European Commission Directorate-General for Taxation and Customs Union (DG TAXUD), Europol, OLAF and the EPPO.

DG TAXUD is responsible for developing and implementing policies and regulations related to taxation and customs in the EU. One of the key focus areas is the fight against VAT fraud and enabling administrative tax cooperation. Related to this, DG TAXUD runs the Fiscalis Programme, which aims to support cooperation between tax administrations in the EU.

As the EU’s law enforcement agency, **Europol** supports MSs in their fight against activities and groups that pose a significant threat to the internal security of the EU and to the safety and livelihood of its people. This also includes combating VAT fraud. Europol’s Analysis Project MTIC is dedicated to identifying and

⁴³ Information obtained by a Member State from third countries may be very useful to other MSs. Likewise, information obtained by a Member State from other MSs may be very useful to third countries. Communication with third countries could be interesting within the scope of this evaluation in the field of e-commerce. However, for this study, this was not prioritised.

⁴⁴ Full list of national tax authorities and the links to the VAT dedicated websites are available here: https://ec.europa.eu/taxation_customs/national-tax-websites_en

dismantling organised criminal networks involved in cross-border VAT fraud and the tracing and confiscating of the proceeds of MTIC fraud.

OLAF is responsible for administrative investigations into non-fraudulent and fraudulent irregularities affecting the EU's financial interests. OLAF may also facilitate and coordinate VAT fraud investigations, making use of its interdisciplinary approach, as well as provide analysis and intelligence. To this end, pursuant to Article 49 (2a), the MSs may communicate to OLAF relevant information to enable it to consider appropriate action in accordance with its mandate. Moreover, pursuant to Article 36 (3), Eurofisc working field coordinators may request relevant information from the OLAF and Europol, and for this purpose and as agreed by the working field participants, they may send them as much information as necessary in order to receive the requested information.

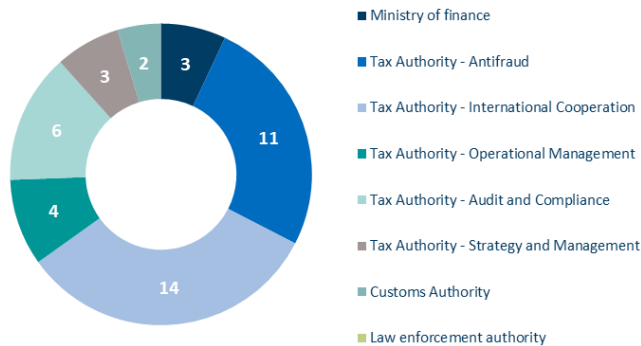
Finally, **EPPO** is an independent and decentralised EU body responsible for investigating and prosecuting crimes against the EU budget, such as cross-border VAT fraud above EUR 10 million. It operates as a single office across participating MSs and combines European and national law enforcement efforts in a unified, seamless, and efficient approach.

A full list of identified stakeholders under these categories was agreed upon with DG TAXUD, and subsequently, a selection was made for data collection. These have been targeted through an online survey, key informant interviews, and focus groups.

Member State survey

A targeted consultation was carried out by the **MS tax authorities** on the functioning of administrative cooperation and the fight against fraud in the field of VAT. This was done via an online survey sent out to the MS tax authorities responsible for administrative cooperation and the fight against fraud in the field of VAT. The objectives of this targeted consultation were to gather views on the functioning of current mechanisms for administrative cooperation, assess whether they correspond to the needs of MSs, and explore possibilities to improve the MSs' ability to collect VAT and fight fraud, specifically focusing on data sharing and joint actions. A second online survey was sent out with additional questions regarding the costs and benefits of specific tools under the Regulation. As shown in Figure 3, the majority of the respondents belong to the antifraud and international cooperation units of the tax authority.

Figure 3 Respondents of the Member State survey



Source: own elaboration

The first survey was launched on 13th October 2022 and was operational until 4th November 2022. A total of 63 invitations were sent out to CLO and Eurofisc contact points. These were requested to collect the required information and consolidate a single Member State response. However, CLO contact points were also given the opportunity to distribute parts of the survey to relevant departments. In case multiple answers were collected from the same Member State, answers were consolidated by the research team.⁴⁵ Out of 27, 25 MSs responded by the closure of the survey, which amounts to a high response rate of 93%. Two CLOs indicated they would not be contributing to the survey due to capacity constraints, although they did contribute through interviews.

The second survey was launched on 19th December 2022 and was operational until 27th January 2023. Twenty-seven invitations were sent in total to CLO contact points. A total of 21 responses were received, a slightly lower but still high response rate of 78%.

Key informant interviews

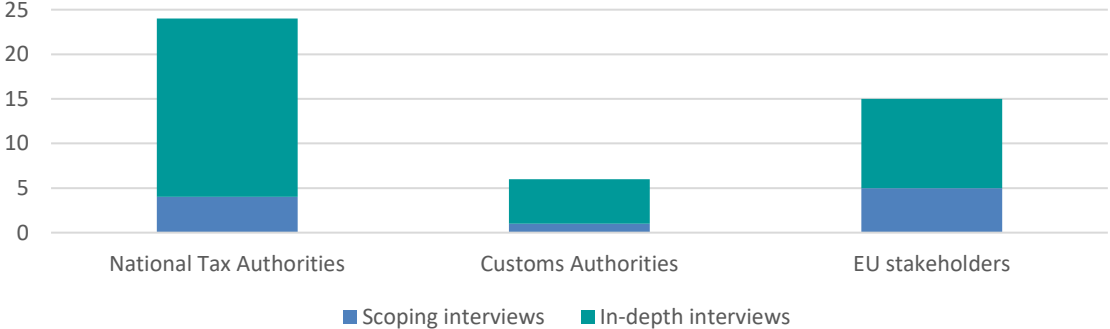
Interviews were utilised to add to the knowledge gathered through desk research and the targeted survey. They made it possible to validate findings in a one-on-one setting. All interviews were conducted in a semi-structured format with more open questions in the fieldwork phase.

⁴⁵ This was the case for only one Member State, where two different departments of the tax authority provided responses (one from the VAT anti-fraud department, the other from the international cooperation unit). The responses were to a large extent complementary (same responses provided by both departments). The responses differed for 8 questions (out of 36). The aggregation exercise was executed as follows. For one conflicting answer the question was a binary question (involving the answer categories yes/no). In this case both responses were considered in the analysis given that conflicting answers were provided. The remaining seven questions with conflicting answers involved ordinal questions with multiple answer categories. For these questions the answer categories were coded in a numerical manner. For instance, on the question “to which extent do you use tool x”, with answer possibilities “not at all”, “to a limited extent”, “to some extent”, “to a large extent”, “to a very large extent”, the answers were coded in the following way: not at all = 1, to a limited extent = 2, to some extent = 3, to a large extent = 4, to a very large extent = 5. Then, the average of the two responses was taken as the final aggregate reply ((Code response Unit 1 + Code response Unit 2)/ 2). In cases where the average aggregate response fell in between two categories, the higher level response was taken into account (for instance, if the average aggregate resulted at 2.5, the attributed categorical reply was “To some extent”).

In total, more than 80 persons representing national tax authorities, customs authorities, and EU stakeholders were interviewed.⁴⁶ During the inception phase, an initial round of 8 scoping interviews was conducted with representatives of 10 different stakeholder groups. On this basis, the team was able to gauge expectations, deepen the understanding of the functioning of the Regulation, better prepare the stakeholder strategy, and decide on the final list of interviewees. An additional 34 interviews were conducted during the data collection phase focusing on the functioning of the different tools under the Regulation. Tailored questionnaires were developed and sent out in advance to the stakeholders. The full interview guides can be found in Annex IV. The full list of interviewees is included in Annex II.

Figure 4 below gives an overview of the distribution of stakeholders in the interviews. During the inception phase, four scoping interviews were held with representatives of national tax authorities, one with representatives of customs authorities, and five with European stakeholders (including DG TAXUD). An additional twenty interviews with national tax authorities were held, as well as five with customs authorities and nine with EU public and private sector stakeholders.⁴⁷

Figure 4 Overview of distribution of stakeholders



Source: own elaboration

Business survey

Besides the surveys targeting MSs, another survey was launched targeting [traders](#), [business associations](#), and [professional associations](#). This concerns economic operators carrying out cross-border transactions using the VAT OSS and/or the VIES on the WEB.

The survey targeting companies was launched with the support of the Tax Executive Institute Europe, which disseminated the survey to its members working specifically on VAT in Europe, the Middle East, and Africa (EMEA). It focused on the general perception of economic operators concerning the effectiveness, relevance, efficiency, coherence, and added value of the Regulation. This survey was launched in January 2023, and a total of eight organisations participated. Regarding the sample of economic operators that submitted replies to the survey, it appears that the respondents primarily represent sizeable economic operators that operate in B2B sales.⁴⁸The findings of this survey are incorporated into the next chapter.

⁴⁶ As most interviews were group interviews, the total number of people spoken is higher than the number of interviews. See Annex II.
⁴⁷ It must be noted that given the additional request to fill in the online surveys, some participants replied to the interview questionnaire by written form. In several group interviews, participants representing different stakeholder groups were present (e.g. CLO and Eurofisc). In some cases, we interviewed different representatives of the same stakeholder group separately.
⁴⁸ Regarding the size of the company, 7 out of the 8 economic operators have more than 1,000 employees, and the remaining one has under 10 employees. The majority of the respondents to this survey appear thus to be sizeable economic operators. Turning to whether

[Workshop with Member State tax authorities](#)

To complete the stakeholder strategy, DG TAXUD, in collaboration with the evaluators, organised a workshop held in Brussels on 20 and 21 February 2023. European Commission, OLAF and EPPO representatives, as well as tax authorities from most EU MSs, participated in a series of sessions where the preliminary findings of the evaluation were presented. Stakeholders were given a chance to respond to the draft findings in writing and verbally. On this basis, the preliminary findings were tested, further contextualised, and (re)drafted into the final report.

Case studies

Four case studies have been conducted.

[Type 1. Case studies on specific cooperation tools set out by the Regulation \(2 cases\)](#)

The purpose of these case studies is to investigate the functioning of two particular tools of the Regulation, namely the eFCA and Eurofisc, given their pivotal role in the administrative cooperation in the combat against VAT fraud. Eurofisc was created in 2010 and has gradually evolved over the past years. The eFCA forms are frequently used by competent national authorities to exchange information with each other. A deep dive into those two tools through these case studies allows the research team to reflect on the functioning of both tools, also identifying challenges and opportunities for improvement. Findings from the case study have been integrated into the main report. A full version can be found in Annexes VI and VII.

[Type 2. Case studies zooming in on particular *modus operandi* to combat VAT fraud \(2 cases\)](#)

The purpose of these two case studies is to understand if and how the Regulation has had an effect on the *modus operandi*. These case studies allow the research team to (i) understand how the Regulation (and its amendments) allow authorities to identify and sanction certain types of VAT fraud; (ii) analyse whether the Regulation has resulted in any unwanted effects and/or has resulted in a change of *modus operandi* to circumvent the measures put in place (i.e. a waterbed effect); and (iii) identify room for improvement. Findings from the case study have been integrated into the main report. A full version can be found in Annexes VIII and IX.

For the analysis of the *modus operandi* and the effects of the Regulation, [crime scripting methodology](#) has been used. This entails a step-by-step investigation, description, and visualisation of the way in which a particular crime was committed. Such detailed description allows for the identification of the effects of the Regulation at different stages of the *modus operandi*. Two types of VAT fraud were selected, namely MTIC VAT fraud and VAT fraud in e-commerce exploiting customs procedure 42.

The integral case studies are included as a stand-alone report in the annexes of this report. Snapshots of the findings have been incorporated into the main body of text, including text boxes.

2.4 Methodological challenges

Evaluating Regulation 904 was a complex process that involved several methodological challenges. One of the primary challenges was the identification of appropriate metrics and indicators that accurately capture the

economic operators primarily internationally sell to other businesses or direct consumers, 5 out of 8 submitted that they sell primarily to other businesses, 2 to direct consumers and 1 submitted that they sell to both.

effects of the regulation. This required a comprehensive understanding of the Regulation, its objectives, and the context in which it operates. This was tackled by repeated discussions throughout the implementation of the study with the Commission on the intervention logic and the general, specific and operational objectives of the Regulation. Another challenge was ensuring that the data collected was accurate, complete and relevant. On the basis of the evaluation questions, different data collection methods were included ensuring a mixed-method approach. By combining qualitative and quantitative data, a more comprehensive understanding of the impact of the Regulation was provided. Different stakeholders were approached, allowing for a more rigorous understanding of the different tools provided under the Regulation. At the same time, it was a challenge to gather sufficiently robust data on all the individual tools, hampering some of the comprehensiveness of findings. This has been mitigated by focusing on the overall effectiveness and efficiency of tools and presenting where available more detailed insight into the different tools.

3 Findings

This chapter will present the findings of this study per evaluation criterion, starting with Effectiveness.

3.1 Effectiveness

Effectiveness looks at how successful the Regulation has been in achieving or progressing towards its objectives. This evaluation criterion addresses the following evaluation questions:

- EQ1: To what extent have the cooperation tools contributed to (general objectives) the closer collaboration between Member States, the fight against VAT administrative fraud, the effective collection of VAT, and the facilitation of taxpayers' VAT obligations?
- EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?
- EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievement of objectives?

3.1.1 EQ1: To what extent have the cooperation tools contributed to (general objectives) the closer collaboration between Member States, the fight against VAT administrative fraud, the effective collection of VAT, and the facilitation of VAT obligations of taxpayers?

Following the Better Regulation Toolbox, a key aim of an evaluation is to capture the change that an intervention has brought over time. Pursuant to this, [indicators](#) were established to measure the performance of Regulation 904/2010. The chosen indicators were linked to the goals of the Regulation in order to assess how the Regulation performed between 2014 and 2020.

As has been established in subsection 2.1.1, the main goals of Regulation 904/2020 are to contribute (1) to closer cooperation between tax authorities, (2) to fighting VAT fraud, and more specifically, VAT administrative fraud, (3) to ensure that taxes due, in particular VAT, are collected to fund national and EU budgets, and thus contribute to fiscal consolidation; (4) to facilitate the fulfilment of taxpayers' VAT obligations.

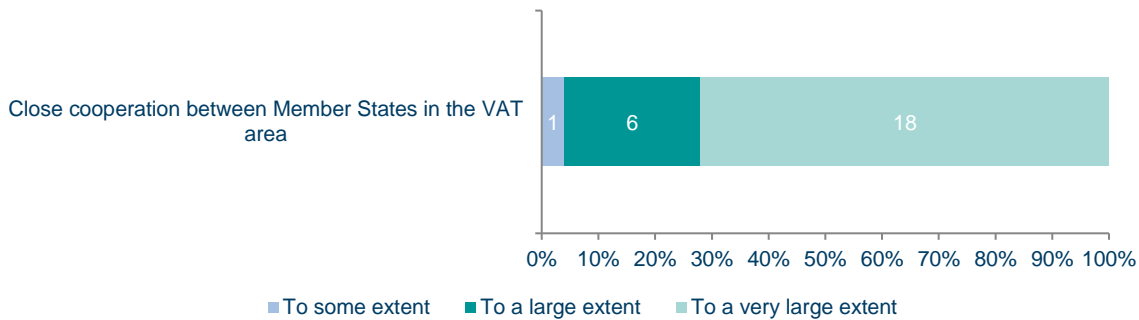
The indicators are selected based on statistics that are provided or publicly published by the European Commission and Eurostat. The statistics show what actually happened. The situation in 2014, as the scope of this evaluation covers the period 2014 - 2020, is used as the reference point to which the actual development is compared.⁴⁹

⁴⁹ 'Capturing the change that Council Regulation (EU) 904/2010 brought over time' ideally entails a comparison between what actually happened and what would have happened if Council Regulation (EU) 904/2010 would not have been adopted. Although the Regulation has been introduced in 2010 the situation in 2014 is used as the reference point to which the situation in the subsequent years is compared. The baseline does therefore not perfectly cover what would have happened in the absence of the Regulation as it already had been introduced in 2014.

Closer cooperation between Member State authorities

The main goal of the Regulation is to ensure closer cooperation between tax authorities. This objective horizontally runs through the different specific objectives and activities of the Regulation and, according to Member State tax authority feedback, is the key driver to fight VAT fraud and ensure better collection of taxes. The survey confirms that Member State tax authorities consider that the [Regulation contributes to closer collaboration between authorities](#) (24%/n=6 to a large extent and 72%/n=18 to a very large extent).

Figure 5 Q4 on the extent to which Regulation 904 contributed to closer cooperation between Member States in the VAT area? (n=25)



Source: Survey of Member State authorities

This also aligns with interview feedback from MS tax authorities. The cooperation does not only refer to the cooperation between tax authorities but also with other authorities such as law enforcement and customs. A distinction is made between in-person and online collaboration, as well as between formal and informal. The tools provided through the Regulation do strengthen not only online cooperation (e.g. through VIES, TNA, and other IT tools) but also in-person cooperation (e.g. through the presence of officials or activities funded by Fiscalis like presence or simultaneous controls). Both forms of cooperation are seen as valuable, where especially online cooperation has deepened as a result of the COVID-19 pandemic. While remaining pivotal in the fight against VAT fraud, formal collaboration (e.g. through standard forms for requests of information) arguably has made way for more informal cooperation between Member States. Eurofisc is seen to have played an important role in this. This allowed for less formalised structures to exchange information prior to sending a request for information. This has possibly affected the decrease in official data requests but also improved the quality of requests made, as prior to doing so, Member States consulted with peers through Eurofisc.

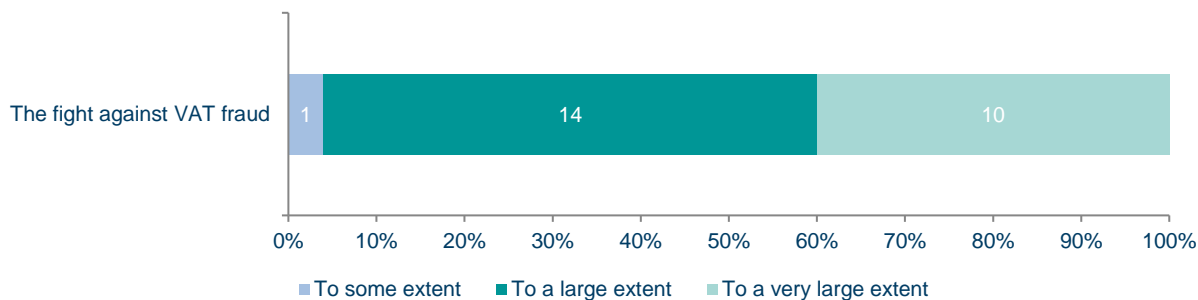
Fight against VAT fraud

There is limited information available on how much of the VAT gap can be attributed to fraud. Careful estimations suggest that MSs lost EUR 93 billion in VAT revenues in 2020, and roughly a quarter of missing revenues can be attributed to VAT fraud.⁵⁰ Some estimations suggest that around EUR 40-60 billion of annual VAT revenue is lost to carousel fraud.⁵¹ However, there is no data on developments over time. Interview feedback from tax authorities confirms that this is difficult to measure. Nonetheless, stakeholders do confirm that the [fight against VAT fraud is closely linked to the Regulation](#). This is strongly also supported by the survey of MS tax authorities.

⁵⁰ It should be noted that the VAT Gap report is not only about fraud, and also not only about cross border fraud.

⁵¹ See: https://www.eca.europa.eu/Lists/ECADocuments/SR15_24/SR_VAT_FRAUD_EN.pdf

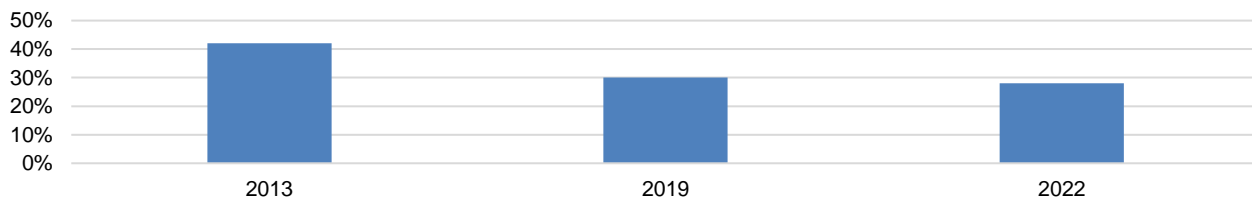
Figure 6 Q4 on the extent to which Regulation 904 contributed to the fight against VAT fraud (n=25)



Source: Survey of Member State authorities

The vast majority of survey respondents find that the Regulation contributes to a large (56%/n=14) or very large extent (40%/n=10) to the fight against VAT fraud. Interview feedback points to stakeholders arguing that, without the Regulation, there would be fewer ways of actually tackling this problem. Also, economic operators confirm through interviews that the Regulation contributes to fighting VAT fraud. They perceive an increased EoI with authorities on VAT issues. While acknowledging the value of such exchange, economic operators do point to the fact that they often commit mistakes in VAT reporting, as opposed to fraud. The increased EoI also aligns with the decreasing trend seen in the Eurobarometer between 2013 and 2022 on the perception of VAT fraud as a widespread practice (see figure below).

Figure 7 % of respondents that views VAT fraud as a widespread practice in their country (EU average)

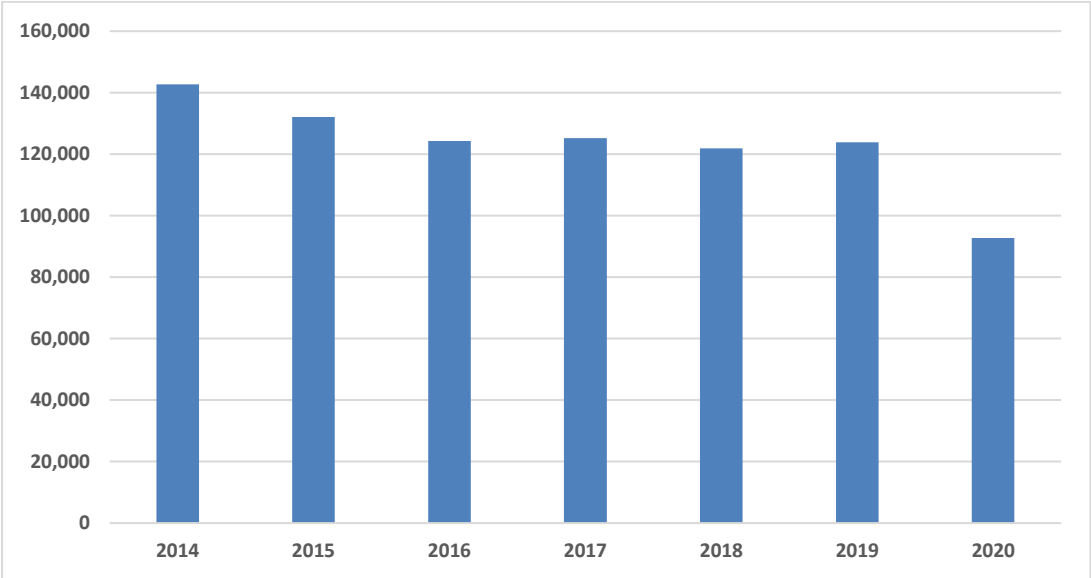


Source: 2013 - Flash Eurobarometer 374, Business' Attitudes Towards Corruption in the EU (2014), p.27; 2019 - Flash Barometer 482, p.66; 2022- Flashbarometer 507, Business' Attitudes Towards Corruption in the EU (2014), p.16

Contribution to fiscal consolidation by ensuring tax collection

The general objective of the Regulation is to ensure that taxes due, in particular VAT, are collected to feed into the national and EU budget and, this way, contribute to fiscal consolidation. Fiscal consolidation refers to the reduction of the government's deficit and stabilisation of the debt-to-GDP ratio. This can be achieved through cutting expenditures or increasing revenue. The latter specifically can be done by reducing the VAT tax gap, which is the difference between the VAT tax collected by a government and what should be collected. This gap can be caused by a variety of factors, such as non-compliance, errors and mistakes, but also fraud committed. An effective approach against VAT fraud could thus contribute to more VAT being collected. For this reason, one relevant indicator to measure the effectiveness of Regulation 904 is looking at the development of the EU VAT gap. Figure 8 sketches a positive trend as the VAT gap decreased from EUR 140.000 million in 2014 to around EUR 125.000 million in 20. There was a strong drop in 2020 to approximately 90.000 million. However, it needs to be understood that this strong drop in 2020 is most likely (at least partly) attributable to the COVID-19 pandemic.

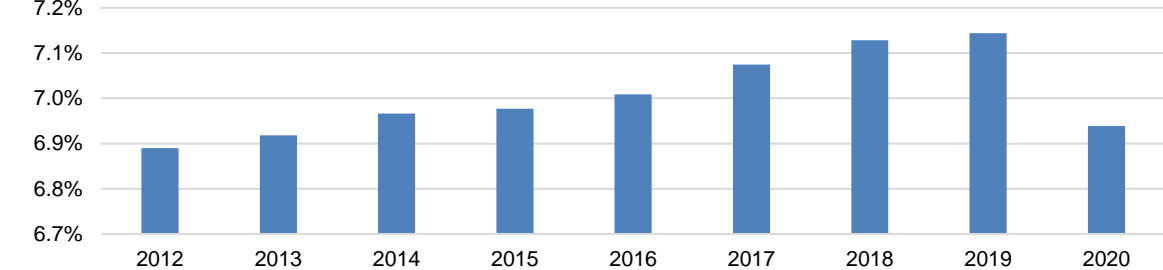
Figure 8 VAT GAP in the EU (2014 - 2020), in millions of EUR



Source: European Commission – DG TAXUD, VAT Gap in the EU: reports 2020 (p.93), 2021 (p.95) and 2022 (p.195). For 2014 the report of 2020 has been used, for 2015 the report of 2021, and for all other years the report of 2022.

Another indicator is EU VAT tax revenues as a percentage of GDP. It serves as a measure that compares the amount of revenue generated by VAT to the size of the EU’s economy. The level of VAT levied can be an indication of consumption in the economy but also an indicator of the effectiveness of the VAT system’s compliance and enforcement. A high VAT percentage indicates a system of broad taxable consumption, as well as compliance with the obligation to pay and collect this tax. VAT fraud would affect this negatively. Data shows an increasing trend between 2012 and 2019, which implies increased consumption as well as better compliance and enforcement to prevent fraud and evasion. A sharp drop was observed in 2020. A potential explanation for this is the COVID-19 pandemic: due to lockdowns, people could consume fewer products and services with lower VAT tax revenues as a consequence.

Figure 9 VAT Tax Revenues as % of GDP (2012 – 2020)

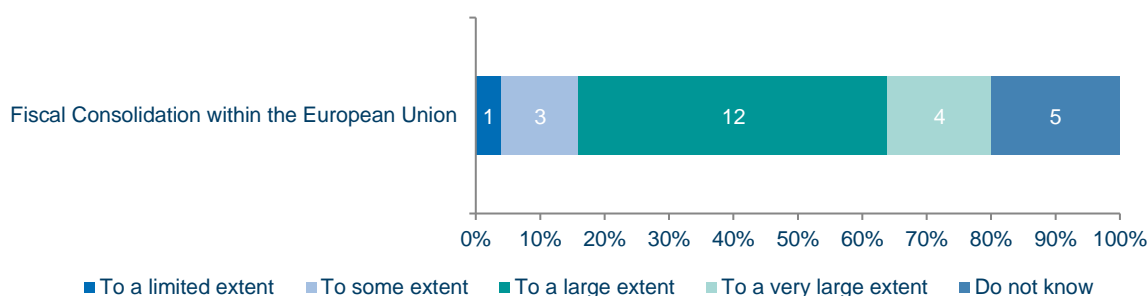


Source: European Commission – DG TAXUD, Data on Taxation: indirect taxes

As shown in the figure above, there has been a positive trend in the development of the EU VAT gap since 2014. At the same time, VAT tax revenues as a percentage of the GDP also showed an upward trend between 2014 and 2019, with a drop in 2020, mostly likely due to COVID-19. Further, the average government deficit in the EU has also decreased since 2012 – with the exception of the 2020 COVID-19

year.⁵² These trends indicate that policies aimed at reducing government deficits by **collecting more taxes** have achieved greater fiscal consolidation. This is partially supported by feedback received through interviews and the survey with MS tax authorities. With respect to the impact of Covid-19, research shows that this crisis impacted VAT tax revenues due to the fact that more people started working in the informal economy, and there was an increase in bankruptcies.⁵³ Furthermore, a lower tax revenue due to Covid-19 might also reflect the temporary measures that MSs took to allow economic activity to continue, such as allowing self-employed people or SMEs to delay tax payments, a reduction in tax prepayments, or tax credit refunds.

Figure 10 Q4 on the extent to which Regulation 904 contributed to fiscal consolidation by ensuring taxes are collected within the EU (n=25)



Source: Survey of Member State authorities

The majority of survey respondents (64%/n=16) find that the Regulation contributes to a large and very large extent to fiscal consolidation by ensuring that taxes are collected within the EU. Interview feedback from Member State tax authorities indeed confirms that the Regulation contributed to decreasing the tax gap, as it provides the tools for authorities to cooperate and tackle VAT fraud. At the same time, stakeholders interviewed also mentioned that it is not easy to determine the extent to which the Regulation contributes to reducing the tax gap and whether increased VAT tax revenue can be attributed to fighting VAT fraud. Also, they confirm that cooperation against VAT fraud is one element of multiple cooperation efforts in the field of taxation. This is backed up by the survey in which some respondents confirm that the Regulation contributes to some or a limited extent (16%/n=4) to fiscal consolidation, as well as some respondents indicating they do not know (16%/n=4).

Facilitating the fulfilment of VAT obligations of taxpayers

VAT cooperation between tax authorities can bring value not only to fighting VAT fraud but also to facilitating the fulfilment of VAT taxpayers' obligations. For example, VIES on the Web provides legal certainty to cross-border economic operators, particularly to apply the exemption in business-to-business (B2B) cross-border transactions. Another example is the procedure for the refund of VAT to taxable persons not established in the Member State of refunds but in another Member State. Also, the e-commerce schemes facilitate cross-border economic operators' fulfilment of VAT obligations. Although they are governed by the VAT Directive, the Regulation also contributes to the development of this system. Overall, by facilitating the fulfilment of VAT obligations for economic operators, the Regulation ultimately contributes to creating a friendly environment for honest taxpayers.

⁵² See: https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en

⁵³ R.M.Szewczyk, 'COVID-19 and its Impact on VAT Gap in the EU: Lessons from and for Poland', European Research Studies Journal, 2021, 24(3).

Despite that, some tools focus on facilitating the fulfilment of VAT obligations, whereas most focus on cooperation between the Member State authorities. VIES on the Web, the OSS and the VAT refund facilitate VAT obligations and thus contribute to creating a friendly environment for honest taxpayers by simplifying ways to comply with VAT rules but also shielding honest businesses from fraudsters. The other tools mostly focus on speeding up the EoI between Member States. Interview feedback from Member State authorities emphasises this as something that ensures a faster stop to ongoing fraud. Interviewees place less emphasis on the fact that faster EoI can speed up VAT fraud investigations and, as a result, ensure that honest taxpayers subject to such investigations are quickly cleared. In other words, the focus seems to be more on generating an unfavourable environment for fraudulent taxpayers as opposed to facilitating the fulfilment of VAT obligations and thus creating a friendly environment for honest taxpayers. This is also supported by concerns expressed by economic operators that while the fight against VAT fraud is important, compliance with the Regulation brings a certain administrative burden to companies, most of which are considered honest taxpayers.

Box 1 Facilitating fulfilment of VAT obligations to taxpayers

The Regulation facilitates the fulfilment of VAT obligations to taxpayers. VIES on the Web (Art. 31) provides legal certainty to cross-border economic operators, particularly when applying the VAT exemption in B2B cross-border transactions. With VIES on the Web, an intra-community seller has a straightforward and simple way to check if its client has been registered in an orderly fashion with a valid VAT number. The availability of this tool which is clearly intended for such checks (among other uses), provides clarity to firms about the level of due diligence to apply in intra-community business transactions. It also protects firms from collaborating with those fraudsters who have been deregistered and whose VRN was invalidated.

Second, taxpayers benefit from the possibility of a VAT cross-border refund. The rules for this refund to taxable persons established in an MS different from the MS of refund have been introduced by Council Directive 2008/9/EC. Chapter XII of the Regulation facilitates the procedure for such refunds by setting communication rules between tax authorities. The Regulation thereby supports a relatively easy procedure for taxpayers' reimbursement of taxes to which they are not subject. The associated lower burden of the reimbursement procedure also makes it easier for EU firms to source inputs from other MSs, strengthening the common market.

Third, the simplifications introduced in the "VAT in e-commerce package", in particular, the availability of the (I)OSS, considerably reduce the administrative burden for businesses in complying with their VAT obligations when selling to (multiple) MSs.⁵⁴ While the (I)OSS is established in the "VAT in e-commerce package", the system heavily relies on the Regulation, in particular on the automatic exchanges of information for its regular functioning (Art 47i) and on the specific exchanges between tax administrations for control purposes (Art 47j).

⁵⁴ See the specifically Annex 6, Impact Assessment Report accompanying the Proposal for a Council Directive amending Directive 2006/112/EC, SWD(2022) 393 final.

3.1.2 EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?

In order to answer this question, first, an assessment is done of the usability of the different tools under the Regulations, followed by an analysis of the achievement of the specific objectives.

Usability of the tools

Tool 1: Eol

Table 2 Key take-aways usability tool 1

Exchange of information*
<ul style="list-style-type: none"> • Most MSs use articles 7.1, 7.2 and 7.4 on Eol to tackle VAT fraud. Article 7.4(a) seems to be less used by MSs, amongst others, affected by its recent introduction to the toolbox. • The number of information requests has been declining since 2016, and there is an uneven use of this tool across the EU. The explanations are the increased access to databases which reduced the need to make specific requests, and that informal bilateral contact (often with neighbouring countries) is frequent and is likely not registered as exchanged under the remit of the Regulation. • There is a declining trend of late replies between 2012 and 2016 that stabilised in the period after 2016. Overall, this suggests an improved response rate. • Automatic information exchanges under article 14 occur, but the extent of its use varies across the EU MSs. • Spontaneous information exchanges (article 15) show a declining trend from 2015 onwards. Amongst others, this is explained by a better understanding of what information is accurate, relevant, and/or timely for other countries. • It is unclear to which extent MSs make use of the opportunity to ask for feedback (article 16); however, this option is used, which confirms that there is a feedback loop in order to better the quality of information exchange.

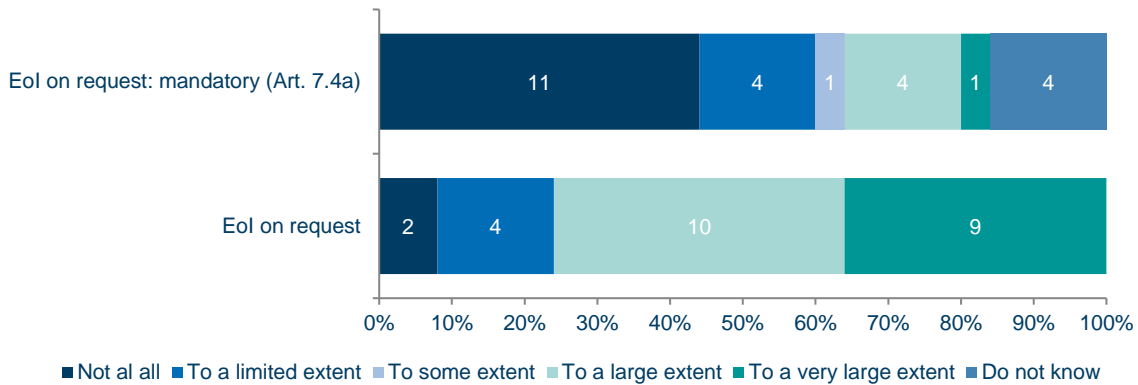
* A more detailed introduction to the tool can be found in Annex X

Survey feedback on articles 7.1, 7.2 and 7.4 shows that **most MSs use the Eol⁵⁵ to tackle VAT fraud.**

76%(n=19) of the respondents say that Eol is used to a large and very large extent. At the same time, article 7.4(a) seems to be less used by MSs. In fact, 44% of respondents (n=11) state that the 2018 amendment had not been used at all, do not know (16%/n=4) or to a limited extent (16%/n=4). This suggests that MSs do not, on a frequent basis, need to invoke the possibility to limit conditions for refusal by requested MSs. The reason why could be linked to the increased cooperation between MSs, which does not require this provision to be used as frequently as Eol has improved. Another identified reason is the fact that this is a new provision and thus not yet fully operational, as well as a lack of awareness of this provision. This is further substantiated when looking at the trends below in the number of information requests sent out, the percentage of late answers, and notifications on why delays occur.

⁵⁵ It is noted that the original survey question made reference to Eol on request and in particular article 7.4. However, after consultation with MSs during the validation workshop, it became clear that the respondents interpreted this as also including additional articles 7.1 and 7.2. For this reason, the evaluation report considers that the collected feedback on EOI refers to the views of stakeholder on articles 7.1, 7.2 and 7.4.

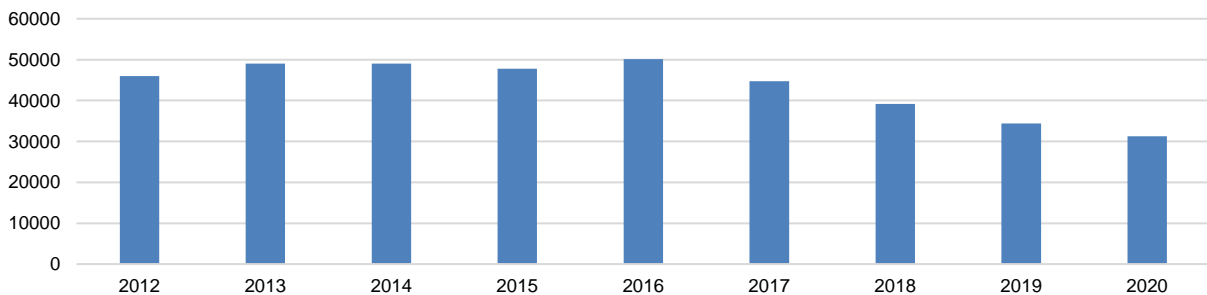
Figure 11 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Available data on article 7 showed an increase in the number of outgoing requests for information from 2012 to 2013 (total number of 46,000 requests and 49,000, respectively). This number of requests then stabilised, close to 49,000 per year, with small fluctuations over the 2014 – 2016 period. As demonstrated in the figure below, the number of information requests has been declining since 2016. In 2020 a total of 31,221 requests were sent out from one MS to another.

Figure 12 Number of information requests sent out by one Member State to another (2012 – 2020)



Source: 2012 – 2014: IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

Zooming in on the data furthermore highlights that in 2020 the five MSs that sent the most requests are collectively responsible for roughly 50% of the total number: Germany (5,444), Poland (3,704), Hungary (2,202), Czech Republic (2,169) and Italy (1,962). Importantly, there is a moderate mismatch between the requests sent and received (which theoretically should be the same). The disparity ranged for the period 2015 - 2020 between 340 (in 2016) to 39 (in 2018).⁵⁶

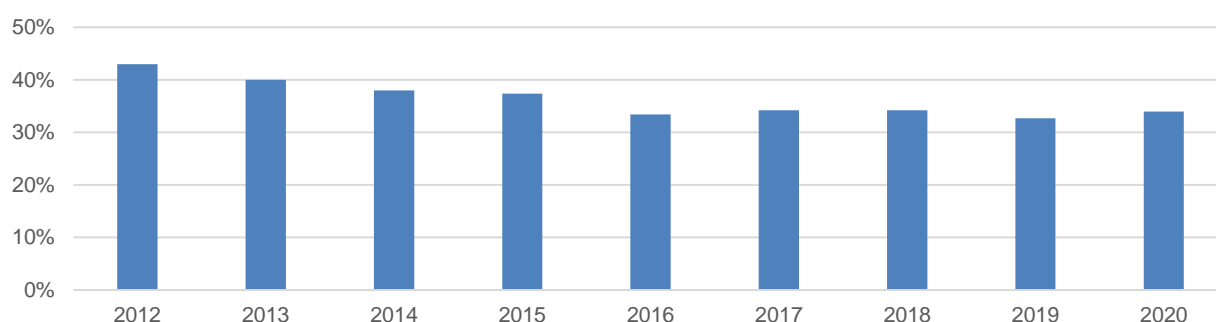
As shown in the figure above, the number of information requests sent out by one Member State to another under article 7 of the Regulation has been stable between 2014 and 2016 and then steadily declined until 2020. The data shows that only a limited number of MSs are responsible for a large share of requests (5 MSs

⁵⁶ Impact Assessment accompanying the Amended proposal for a Council Regulation Amending Regulation (EU) 904/2010 evaluation states that such differences in the reported figures can be explained in certain MSs by poor communication between some tax administration departments and the competent authority which provides the Commission with the information. This is typically the case when liaison offices have been implemented without suitable tracking instruments. While incomplete, these statistics can still shed some light on the level of administrative cooperation which has taken place between MSs.

for 50% of requests). This suggests that, in addition to [using the tool less often](#), [there is also an uneven use of this tool across the EU](#). Various factors explain this when MSs are asked about this. The main reason provided is the increased access to databases which reduced the need to make specific requests. Further, MSs' feedback suggests that informal bilateral contact (often with neighbouring countries) is frequent and is likely not registered as exchanged under the remit of the Regulation.

For answering information requests, the receiving authority has a period of three months (Article 10(1) of Regulation 904/2010). The data shows, [with respect to the percentage of late replies, a declining trend between 2012 and 2016 that stabilised in the period after 2016](#). In 2020 approximately 34% of all replies were considered late.

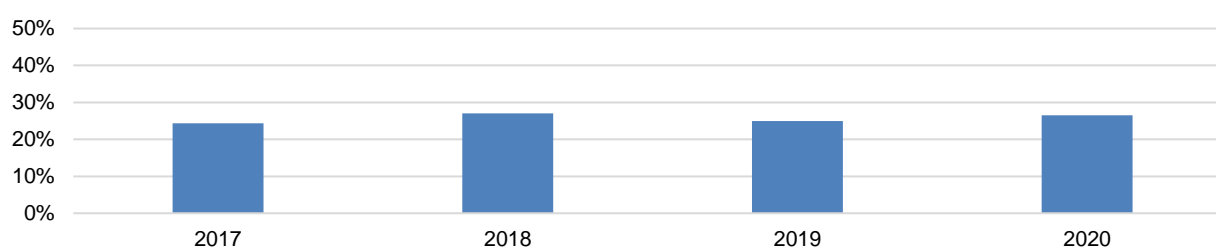
Figure 13 Percentage of late answers on information requests (2012 – 2020)



Source: Source: 2012 – 2014: IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

Article 12 of Regulation 904/2010 prescribes that an authority needs to provide a notification explaining if it is not able to deliver the information on time. The data indicates that for the period 2017-2020, the number of this type of notifications relative to the total number of late replies fluctuates around 25%.⁵⁷

Figure 14 Percentage of notifications specifying why a reply is late relative to the total number of late replies (2017 - 2020)



Source: 2017 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

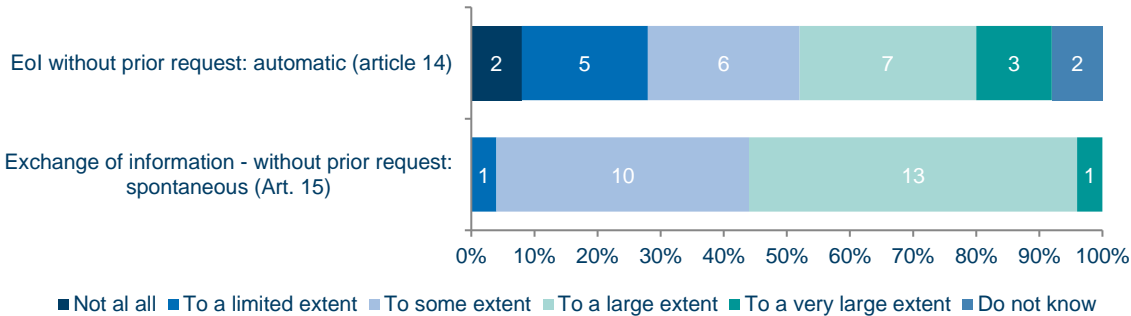
In addition to declining information requests, [data shows that MSs are faster in responding to the requests](#) (see Figure 13). Since 2014, the percentage of late answers has steadily decreased. This suggests that MSs using Article 7 improve their response rate. The notifications on why authorities respond late remain at a steady level (approximately one out of four) over the years. Interview feedback confirms that initially, the

⁵⁷ MSs' feedback on this data provides more context on how to assess this information. It is mentioned that sometimes repeated prolongation messages are sent via email and not eFCA, which means the information is not registered in statistics. In other words, there could be grey numbers in terms of the amount of late replies and notifications.

quality of the received information was an important point of concern. The standard forms help tackle this issue as MSs are able to outline clearly which information is relevant. Secondly, it is mentioned that, through Eurofisc, requesting MSs first consult (informally) with their colleagues on whether certain data can be obtained before they make an official request. This not only helps to improve the quality of the information but also prevents requests from being made that cannot be handled by the requested authority.

Survey feedback suggests that [automatic information exchanges under Article 14 occur, but the extent of its use varies across the EU MSs](#). 20% of respondents use this to a limited extent, 24% (n=5) to some extent, and 28% (n=6) to a large extent (n=7). Article 15 is more frequently used, with 52% to a very large extent (n=13) and 40% (n=10) to some extent.

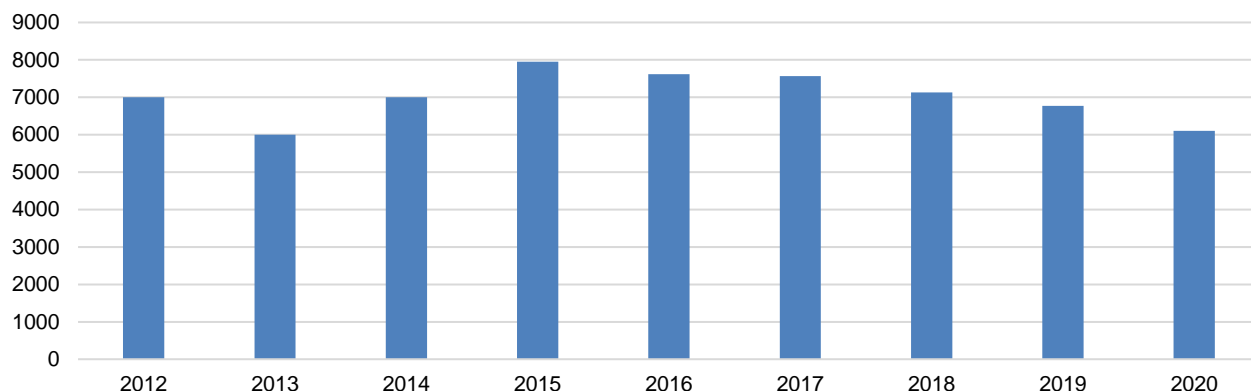
Figure 15 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Concerning [spontaneous information exchanges \(article 15\)](#), there has been a declining trend with respect to the use of spontaneous information exchanges from 2015 onwards. Stakeholder consultation suggests that a possible explanation of a decreasing trend in spontaneous Eol is that MSs, after years of collaboration, better understand which information is of value to other countries and are thus less likely to share information that is not accurate, relevant, and/or timely. Another possible explanation is that MSs pay less attention to information that does not contribute to their own work in terms of correctly assessing and monitoring the application of VAT. Against a background of limited resources available to tackle VAT fraud, MSs might prioritise the information directly related to their own tax revenue. If a tax authority does not see a direct benefit from spontaneous Eol, there is a likelihood that they will not share, and thus the trend decreases. However, stakeholder feedback does not indicate this is actually the case. In fact, it is mentioned that spontaneous Eol might not directly benefit the MS sending the information but indirectly benefit the EU as a whole.

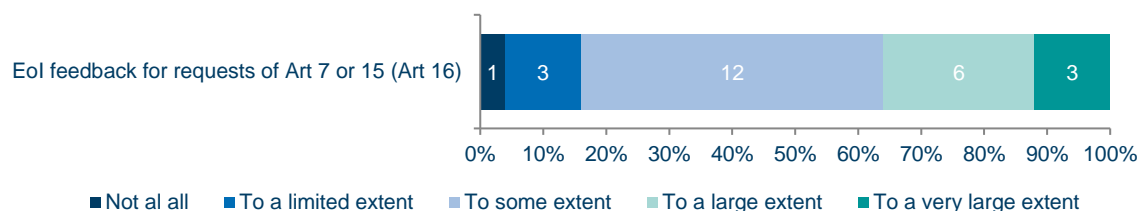
Figure 16 Number of spontaneous exchanges of information (2012 - 2020)



Source: Source: 2012 – 2014, IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

When asked about the quality of the information, MSs confirmed this could be an issue. The requested Member State has, in the case of information exchanges upon request or spontaneous exchanges, the right to ask for feedback on the use of the information and quality of information it provided (art. 16). From the interview feedback, it is unclear to which extent MSs make use of this opportunity to ask for feedback. However, the survey sheds more light on this and suggests most MSs use this possibility to some extent (48%/n=12), followed by a large and very large extent (respectively 24%/n=6 and 12%/n=3). This confirms that there is a feedback loop but that this possibility can be improved in order to better the quality of information exchange.

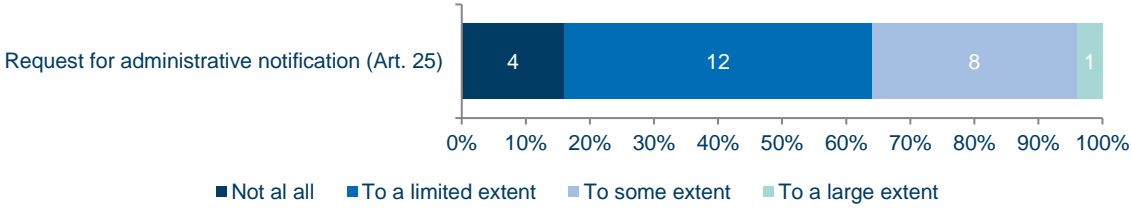
Figure 17 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Finally, Article 25 states that the requested authority must notify the addressee of all instruments and decisions which stem from the competent authorities and concern the application of VAT legislation in the territory of the Member State in which the requesting authority is established. Survey feedback indicates that this is used to a limited extent (48%/n=12) or some extent (32%/n=8).

Figure 18 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Tool 2: Presence of officials in the territory of another Member State for administrative enquiries

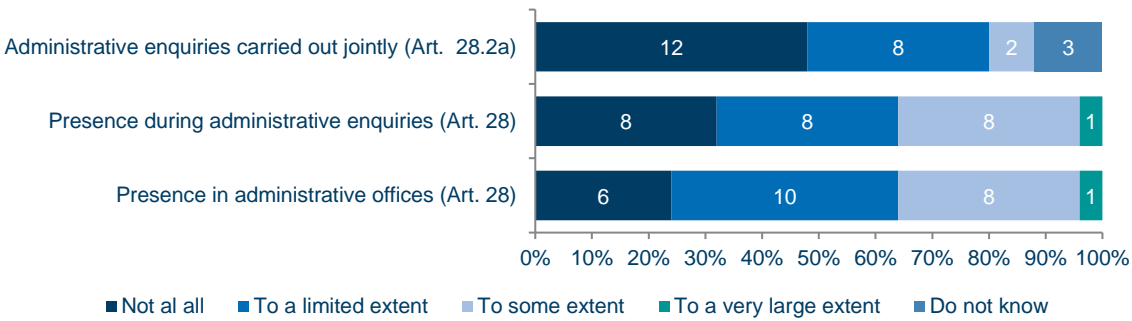
Table 3 Key take-aways usability tool 2

Presence of officials in the territory of another Member State*	
•	MS tax authorities use article 28 to a limited and some extent. A significant share of MSs do not at all use this tool. Apart from COVID, language barriers play a role in the usability of this tool. It is also perceived as labour-intensive, which plays a role when deciding to conduct these enquiries against a background of limited resources.
•	Article 28.2(a) is hardly used, which is linked to the recent changes which take time to enter into force in practice.

* A more detailed introduction to the tool can be found in Annex X

Survey feedback suggests that MS tax authorities use article 28 to a limited and some extent (respectively 40%/n=10 and 32%/n=8 for presence in administrative offices and 32%/n=8 and 32%/n=8 for presence during administrative enquiries). Particularly noticeable is the fact that a significant percentage of MSs do not make use of this tool (respectively 32%/n=8 and 28%/n=6). When looking at article 28.2(a), collected survey feedback suggests that most MSs do not make use of the amendment (48%/n=12) or do not know (12%/n=3). Feedback from MS tax authorities participating in the workshop held for this evaluation points to the fact that recent changes to tools take time to enter into force in practice.

Figure 19 Q5 on the extent to which tools are used (n=25)

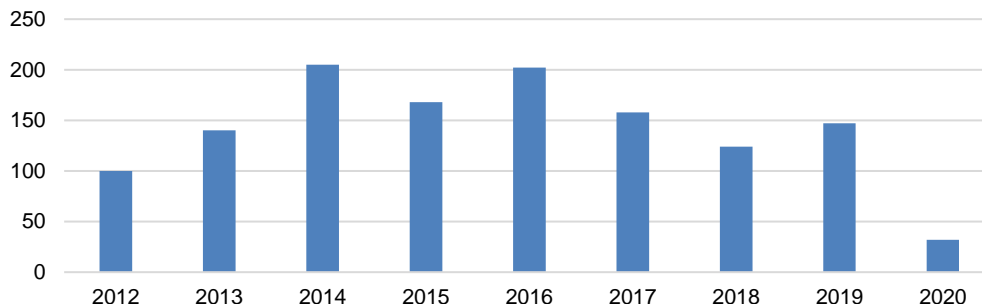


Source: Survey of Member State authorities

Statistics on the use of article 28 under the Regulation show a decrease since 2014. Between 2014 and 2016, the number of officials present in the offices of other MSs remained stable (see Figure 19). After this, there was a steep decline, with an absolute low in 2020 due to the COVID-19 pandemic. Interview feedback suggests that language barriers play a role in the usability of this tool. Further, this tool is also perceived as

labour-intensive, which plays a role when deciding to conduct these enquiries against a background of limited resources.

Figure 20 Presence of officials in offices of other MSs (2012 – 2020), article 28 of Regulation (EU) 904/2010



Source: Source: 2012 – 2014: IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

Tool 3: Simultaneous controls⁵⁸

Table 4 Key take-aways usability tool 3

Simultaneous controls *

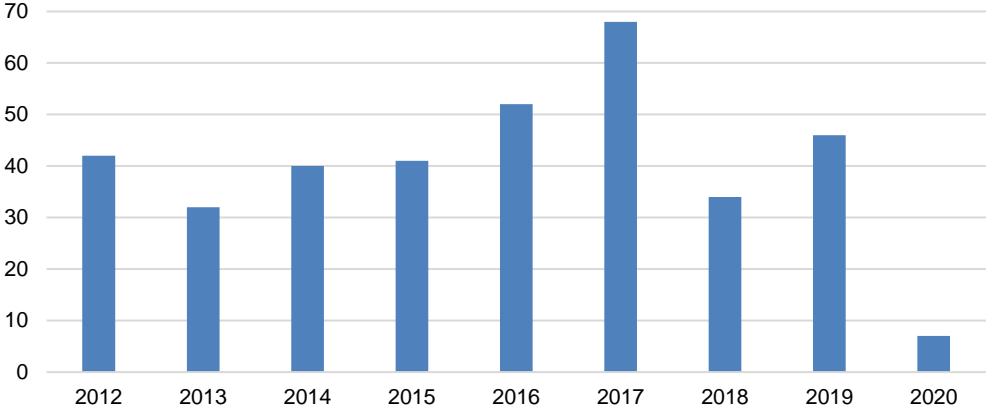
- Between 2015 and 2017, there was an increase in the number of simultaneous checks being initiated, to be offset in the years after bringing the number of initiated simultaneous checks in 2019 back to the level of 2014. Nonetheless, most MSs used this tool (article 29) in the past and confirmed its usability.
- MSs see this as a flexible tool as it is not explained in a detailed manner in the Regulation. At the same time, against a background of limited (human) capacity to fight VAT fraud on the national level and the need for a fast response to deter fraudsters, this tool is perceived as less user-friendly for MSs due to the time and effort needed.
- From the perspective of cooperation and information sharing, the TNA is faster and more efficient. Simultaneous checks are more useful for tackling complex cases and thus complement other tools under the Regulation.

* A more detailed introduction to the tool can be found in Annex X

From 2015 to 2017, there was an increase in the number of simultaneous checks being initiated. This increase seems, however, to be offset in the years after bringing the number of initiated simultaneous checks in 2019 back to the level of 2014.

⁵⁸ MLC is also used sometimes as a term. This concept is not included in the Council Regulation (EU) 904/2010, but it is in the Regulation (EU) 2021/847 of the European Parliament and of the Council of 20 May 2021 establishing the 'Fiscalis' programme: "Multilateral or simultaneous control, consisting in the coordinated checking of the tax situation of one or more related taxable persons, that is organised by two or more participating countries, including at least two MS, with common or complementary interests".

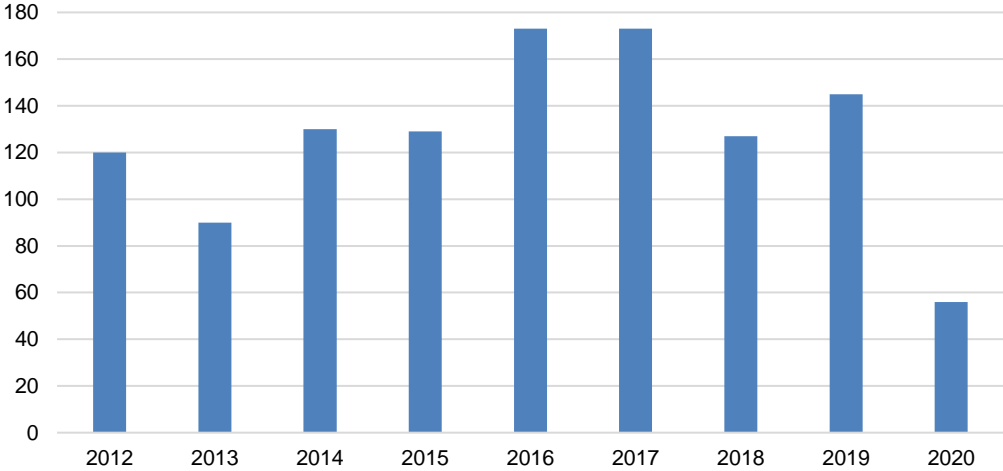
Figure 21 Number of initiated simultaneous checks (2012 – 2020), articles 29 and 30 of Regulation (EU) 904/2010



Source: 2012 – 2014: IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

The number of MSs participating in simultaneous checks is (expectedly) greater than the number of initiated simultaneous checks but follows a similar trend over time.

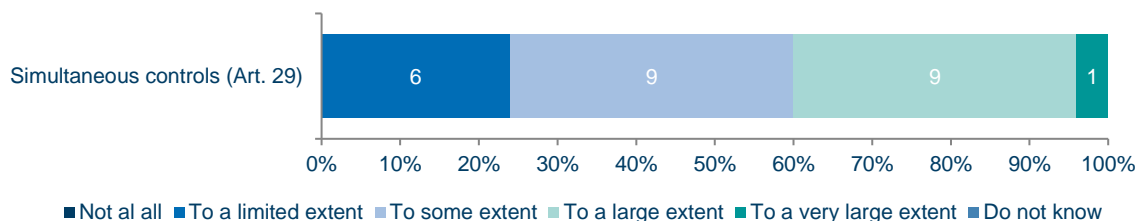
Figure 22 Total number of simultaneous controls (2012 – 2020), articles 29 and 30 of Regulation (EU) 904/2010 (combined statistics of individual MSs)



Source: Source: 2012 – 2014: IMPACT ASSESSMENT Accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010, 2015 – 2020: Annual statistics of the SCAC EXPERT GROUP (on behalf of the European Commission).

Survey feedback confirms the usability of this tool. In fact, [representatives from all MSs confirmed to have used Article 29](#), some more often (36%/n=9 to a large extent and 4%/n=1 to a very large extent) than others (24%/n=6 to a limited extent and 36%/n=9 to some extent).

Figure 23 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Interview feedback from MSs confirms the **usefulness** of this tool. In particular, the fact that it is not explained in a detailed manner in the Regulation also makes it a flexible tool in terms of how MSs can use it. At the same time, the tool is seen as **burdensome and time-consuming**. This, against a background of limited (human) capacity to fight VAT fraud on the national level and the need for a fast response to deter fraudsters, makes the tool less user-friendly for MSs. Stakeholder feedback suggests that from the perspective of cooperation and information sharing, the TNA is faster and more efficient. On the other hand, simultaneous checks are more useful for tackling complex cases. In fact, the **tools complement rather than oppose each other**. They aim to leverage the expertise and resources of multiple tax authorities to identify and investigate cross-border tax fraud and evasion more effectively.

Tool 4: Schemes included in Chapter XI

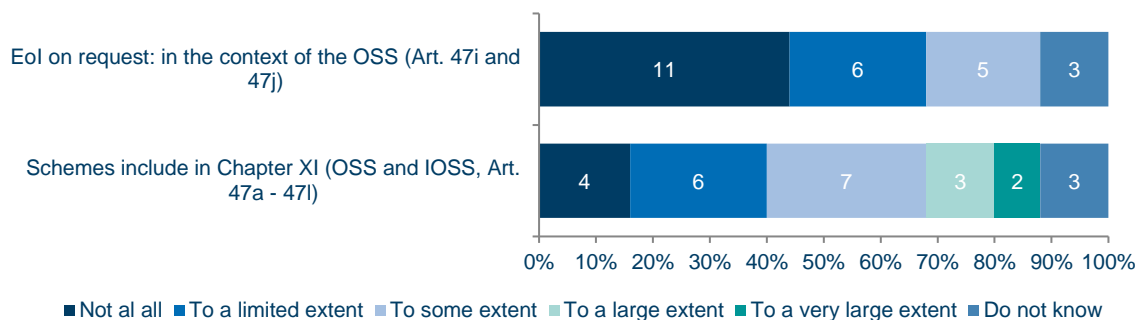
Table 5 Key take-aways usability tool 4

Schemes included in Chapter XI*
<ul style="list-style-type: none"> MSs confirm the usability of the OSS and IOSS for tax payers but less directly link this to the fight against VAT fraud or administrative cooperation. Eol in the context of the OSS (articles 47(i) and 47(j)) does not occur very frequently. However, the centralisation of data through the schemes facilitates exchange. The OSS and IOSS tools improve VAT compliance as they make compliance with VAT rules easier. Identified barriers to the tools are that, at times, the OSS faces IT problems and CCN limitations in terms of file transferring.

* A more detailed introduction to the tool can be found in Annex X

Survey feedback on the usability of the tools suggests that **most MSs use the tool to a limited** (24%/n=6) **and to some extent** (28%/n=7). Nonetheless, five MSs also confirm more use (12%/n=3 to a large extent and 8%/n=2 to a very large extent). Linked to the tools, stakeholders further indicated that Eol in the context of the OSS (art. 47(i) and 47(j)) does not occur very frequently (44%/n=11 not at all, 24%/n=6 to a limited extent and 20%/n=5 to some extent). Interview feedback nuances these findings, as **MSs confirm the usability of the tool for tax payers but less directly link this to the fight against VAT fraud or administrative cooperation**. Feedback collected during the validation workshop suggests that the recent introduction of OSS (July 2022) also plays an important role in the relatively limited use of the tools.

Figure 24 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

The report ‘VAT in the Digital Age – Volume 3: Single Place of Vat Registration and Import One-Stop Shop’, commissioned by the Commission, supports the interview feedback. It points out that **it was to be expected that the introduction of the OSS would only have a marginal impact on reducing VAT fraud**.⁶⁰ The reason is that the difficult and cumbersome VAT registration system for firms doing business in multiple MSs was not seen as a major source of VAT fraud in the period before OSS tools were introduced. Nevertheless, the expectation was that the creation of the OSS would have a small positive effect as especially smaller companies struggled to comply with their VAT registration obligations before the creation of the OSS tool. Before the introduction of the OSS tool, companies needed to register, declare and pay VAT in all MSs in which they did business. The OSS tool simplified this for them by allowing them to do this in one centralised place regarding their cross-border transactions addressed to final consumers.

Interviewees confirm that **the OSS and IOSS tools improve VAT compliance as they make compliance with VAT rules easier**. In addition to the facilitation of VAT compliance, the tools make it easier for authorities to identify and investigate possible cases as the data is being centralised. The centralisation of data also facilitates Eol. Feedback also points to some specific barriers. For example, some stakeholders mentioned that, at times, the OSS faces IT problems and CCN limitations in terms of file transferring.

Box 2 Key takeaways from the case study on fraud exploiting CP42

VAT is due in the MS of the final customer. Therefore, imports from third countries are VAT-exempted in the MS of the first entry if they are transferred to a re-seller in another MS. This exemption under custom procedure 42 (CP42) has been exploited by fraudsters. Importers have declared goods under CP42 and sold and shipped them to another MS. However, no VAT was transferred to the respective tax authority.

- In principle, the Regulation contains all tools to effectively prevent VAT fraud from exploiting CP42. Tax authorities’ access to national CP42 data combined with the automated exchange of relevant information on CP42 imports via VIES⁶¹ allows MSs to be aware of any taxable sale happening in their jurisdiction and thereby enforce VAT collection.
- However, the tools’ effectiveness critically depends on how diligently they are implemented by MSs. While this is true for any regulation, the risk of insufficient implementation is particularly high in the case of CP42 fraud. The core responsibility in the prevention of fraud lies with the MS where the good is first imported, while all benefits of effective implementation of the Regulation accrue to other MSs (the ones where the

⁶⁰ European Commission, 2016. VAT in the Digital Age, Volume 3: Single Place of VAT Registration and Import One-Stop Shop, pp.62-63

⁶¹ See: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52011SA0013&from=EN>, ANNEX I.

good is sold to the final customer). Moreover, the insufficient cooperation of one single MS can cause detrimental effects on all other MSs, even when all of them apply the tools in a diligent way.

- Effective cooperation between the customs authorities and tax administrations of the MS of importation is crucial in preventing CP42 fraud. However, some tax authorities interviewed consider the legal provisions for cooperation with national customs authorities incomplete. In line, tax authorities report that not all MSs consistently provide the necessary information to track taxable transactions following a CP42 import in a complete, correct, and timely manner.
- Improvement potential, therefore, lies less in changing the tools themselves and in providing sufficient incentives to apply them diligently. Practical examples of making their implementation easier while increasing the cost of non-compliance are training on the use of the Customs Data Base (Surveillance), which allows CP42 fraudsters to enter the Union. Another avenue for aligning MSs' incentives around the taxation of third-country imports is the closer harmonisation of VAT policies.

More information on the case can be found in the CP42 case study in Annex IX.

Tool 5: VIES and recapitulative statements

Table 6 Key take-aways usability tool 5

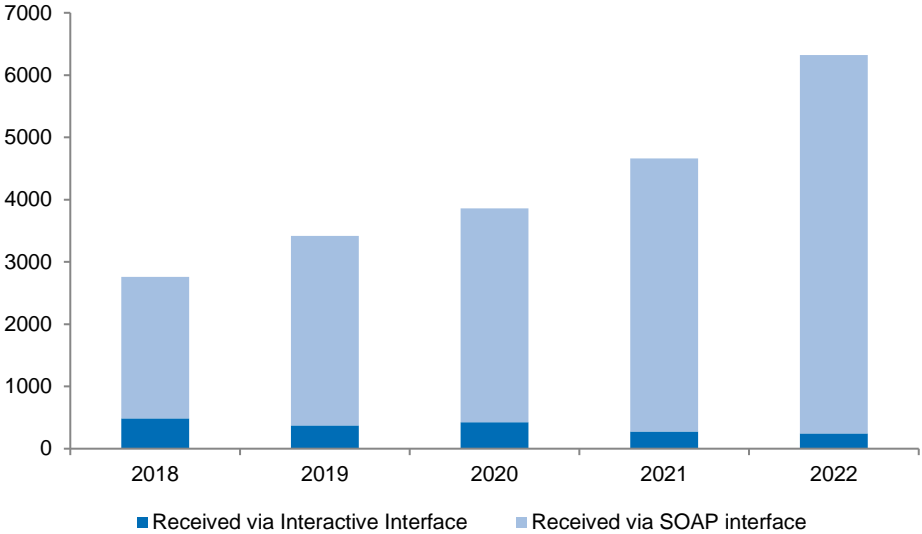
VIES and recapitulative statements *

- VIES requests have grown from approximately 2.8 billion in 2018 to more or less 6.3 billion in 2022. 36% of the requests resulted in a valid response; 64% yielded output that did not help in addressing VAT fraud. This is mainly due to bad hits and invalid responses.
- MSs overwhelmingly use VIES. If data collected from VIES is not complete, MSs make additional data requests.
- Recapitulative statements are regarded as rather ineffective by the majority of MSs. Lack of data granularity, time reporting differences across MSs, and the poor quality of the data reported are reported shortcomings.
- The extended right granted to Eurofisc officials to access VIES is considered useful.
- Most MSs have not received complaints from traders in relation to data communicated through VIES on the Web.

* A more detailed introduction to the tool can be found in Annex X

The figure below sketches that the annual number of VIES requests has grown from approximately 2.8 billion in 2018 to more or less 6.3 billion in 2022.

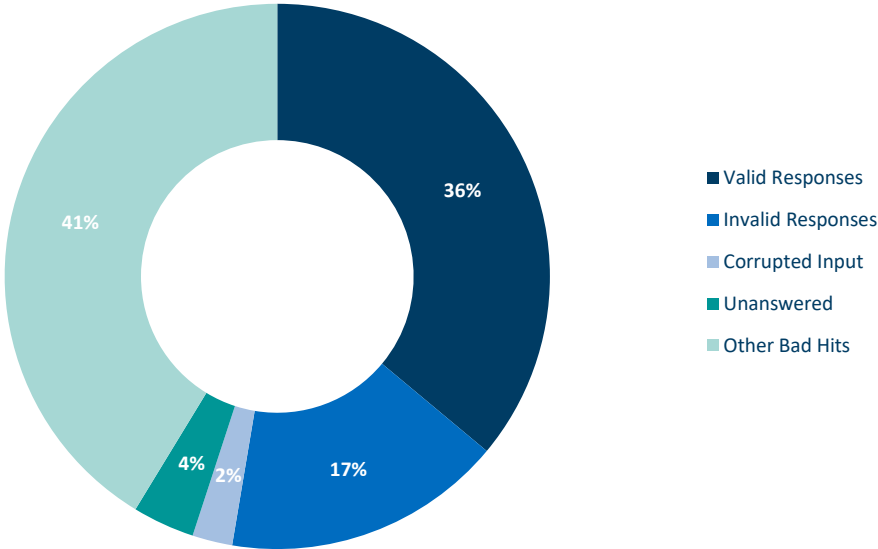
Figure 25 Number of VIES requests (in Millions, period: 2018 – 2022)



Source: VIES on the Web data (received from DG Taxud)

The following figure sketches the average output on these VIES request for the period 2018 – 2022. 36% of the requests resulted in a valid response. The remaining 64% yielded output that did not help in addressing VAT fraud. This is mainly due to bad hits and invalid responses.

Figure 26 Average output on VIES requests (period: 2018-2022)

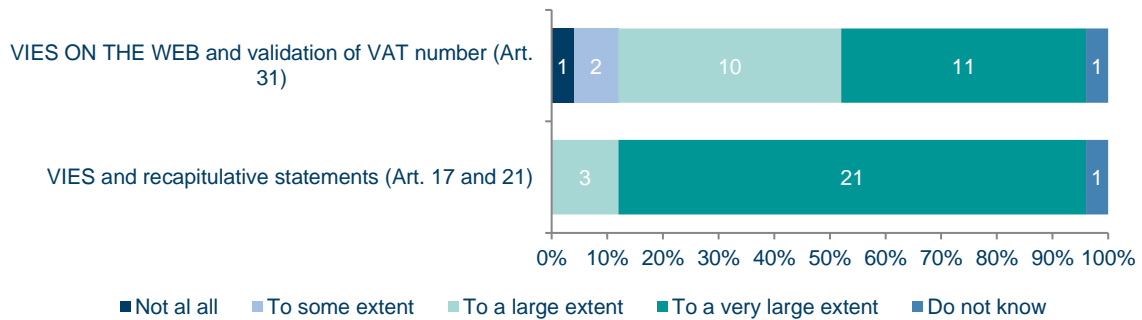


Source: VIES on the Web data (received from DG Taxud)

Recapitulative statements provide aggregated information to national tax administrations about the supplies of goods and services made to their territory from other MSs. They allow tax administrations to follow the flow of goods and services in order to help fight intra-EU fraud.

Survey feedback shows that **MSs overwhelmingly use these tools**. This is confirmed through interview feedback. If data collected from VIES is not complete, MSs make additional data requests. **Recapitulative statements are regarded as rather ineffective by the majority of MSs** interviewed on this subject for the Impact Assessment for the amendment of Directive 2006/112/EC as regards rates of value-added tax.⁶² The Impact Assessment mentions in this context that of the twelve authorities that replied, eleven provided a negative assessment of this reporting mechanism to tackle intra-EU VAT fraud. The following shortcomings are being mentioned: lack of data granularity, time reporting differences across MSs, and the poor quality of the data reported.

Figure 27 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Two additional relevant points regarding VIES are 1) the fact that the extended right granted to Eurofisc officials to access VIES is considered useful (Q31 86%/n=19) and 2) most MSs have not received complaints from traders in relation to data communicated through VIES on the WEB (Q32 83%/n=19).

Tool 6: eFCA

Table 7 Key take-aways usability tool 6

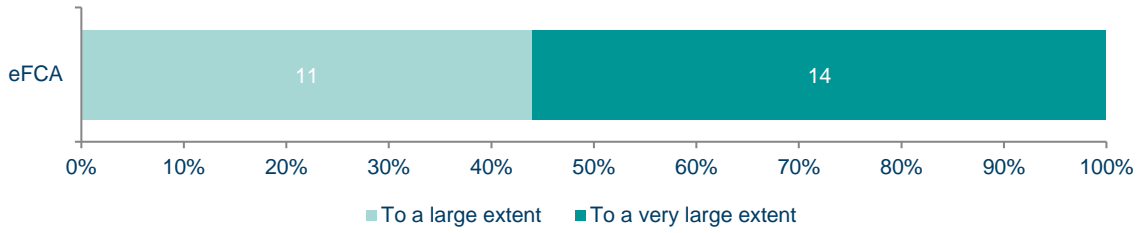
eFCA*
<ul style="list-style-type: none"> MSs use this tool to a large and very large extent. It is seen as a useful tool to break language barriers. MSs do note the need to improve the structure of the forms.

* A more detailed introduction to the tool can be found in Annex X

Survey feedback shows that all **MSs use this tool to a large** (44%/n=11) **and very large extent** (56%/n=14). Interview feedback confirms the useability of the tool to break language barriers. At the same time, some MSs do note the need to improve the structure of the forms.

⁶² Impact Assessment Report accompanying the Proposal for a Council Directive amending Directive 2006/112/EC, SWD(2022) 393 final, p. 28.

Figure 28 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Tool 7: VAT cross-border refund

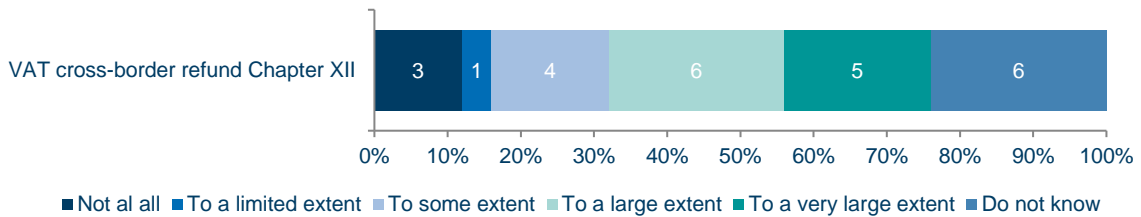
Table 8 Key take-aways usability tool 7

VAT cross-border refund*
<ul style="list-style-type: none"> This tool is perceived as less relevant for fighting VAT fraud, illustrated by the limited use by MS authorities. The tool's usability is more linked to facilitating cooperation between tax authorities and to facilitating taxpayers' VAT obligations.

* A more detailed introduction to the tool can be found in Annex X

Both survey and interview feedback suggests this [tool is less relevant for fighting VAT fraud](#). This is in line with the result that a number of MSs do not use this tool (12%/n=3) or do not know (24%/n=6). Nonetheless, MSs do confirm their use (64%/n=16) to varying degrees. Stakeholder feedback note that the tool is more linked to [facilitating cooperation between tax authorities and to facilitating taxpayers' VAT obligations](#).

Figure 29 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Tool 8: Eurofisc

Table 9 Key take-aways usability tool 8

Eurofisc*
<ul style="list-style-type: none"> This tool is extensively used by MSs. The participation of MSs in Eurofisc networks increased over time. The TNA tool developed under Eurofisc is seen as a useful tool, currently being the main tool used for information exchanges.

Eurofisc*

- Eurofisc makes for an effective early warning tool that improves the collection of VAT on intra-EU transactions within the different working fields. Particularly WF 1 on MTIC fraud is considered highly effective, followed by e-commerce and customs.
- Out of the 480 e-commerce fraud signals shared under WF 5, the Member States only provided feedback in response to one signal, suggesting the risk database is either not well targeted, not useful or not successful. Nevertheless, most MSs consider this working field to be an effective early warning tool that improves the collection of VAT on intra-EU transactions.
- TNA is particularly high valued in terms of improving Eurofisc's capacity. The tool is also perceived as highly effective for the exchange of information and has the potential to improve risk analysis.
-

* A more detailed introduction to the tool can be found in Annex X

Membership of the Eurofisc network can be used as an indicator of the overall effectiveness in fighting VAT fraud, as this is voluntary. The rationale is that MSs would only invest resources in participating in the network if it also yields some benefits. Data on the number of MSs (including the United Kingdom) that are participating in each WF shows that all MSs (n=28) and Norway participated in WF 1 during the entire period from 2014 to 2020. In the other Working Fields, not all MSs are participating, but [the number is increasing over time](#). In WF 2, from 23 in 2014 to 25 MSs in 2020; in WF 3⁶⁴, from 22 in 2014 to 26 MSs, and Norway, in 2020; and in WF 5, from 22 in 2016 to 27 MSs, and Norway, in 2020.⁶⁵

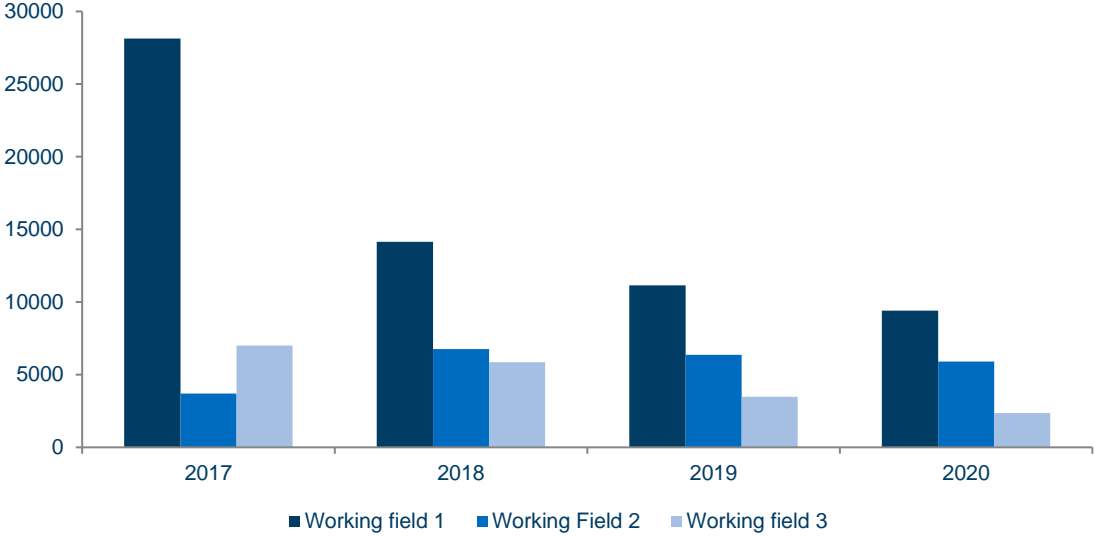
Recently, the TNA tool has been developed and is used by some Working Fields, mainly WF 1. Insights from interviews [highlight the information exchanges through the TNA tool](#) and point out that currently, it is the main tool being used for information exchanges. This can explain the development of the number of traditional information exchanges in the WF 1, 2, and 3 for the period 2017 - 2020. Primarily in WF 1, the number of information exchanges has been declining sharply. As the detected overall information exchange in WF 1 has been relatively steady, this can be explained by the gradual transition from using traditional information exchanges to the adoption of the automated TNA tool.⁶⁶

⁶⁴ WF3 is mentioned here due to the evaluation period (2014-2020), but WF3 is merged with WF1.

⁶⁵ Eurofisc, Annual Report 2020, pp. 8, 23, 34, 47.

⁶⁶ Eurofisc, Annual Report 2020, p. 4.

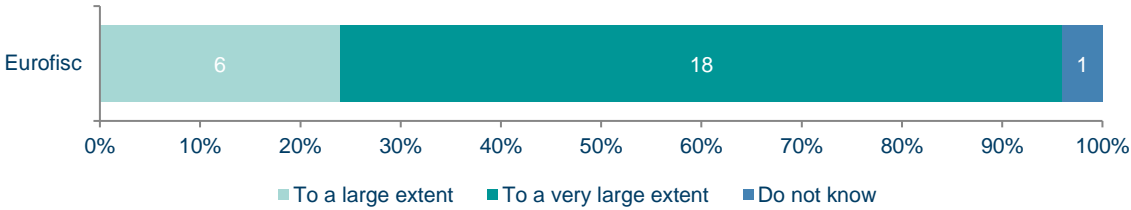
Figure 30 Information exchanges in Working Fields 1, 2, and 3 (period 2017-2020)



Source: Eurofisc Annual Report 2020

Survey feedback also confirms [the real usability of the network](#), with 24% (n=6) using this to a large extent and 72% (n=18) to a very large extent in order to tackle VAT fraud.

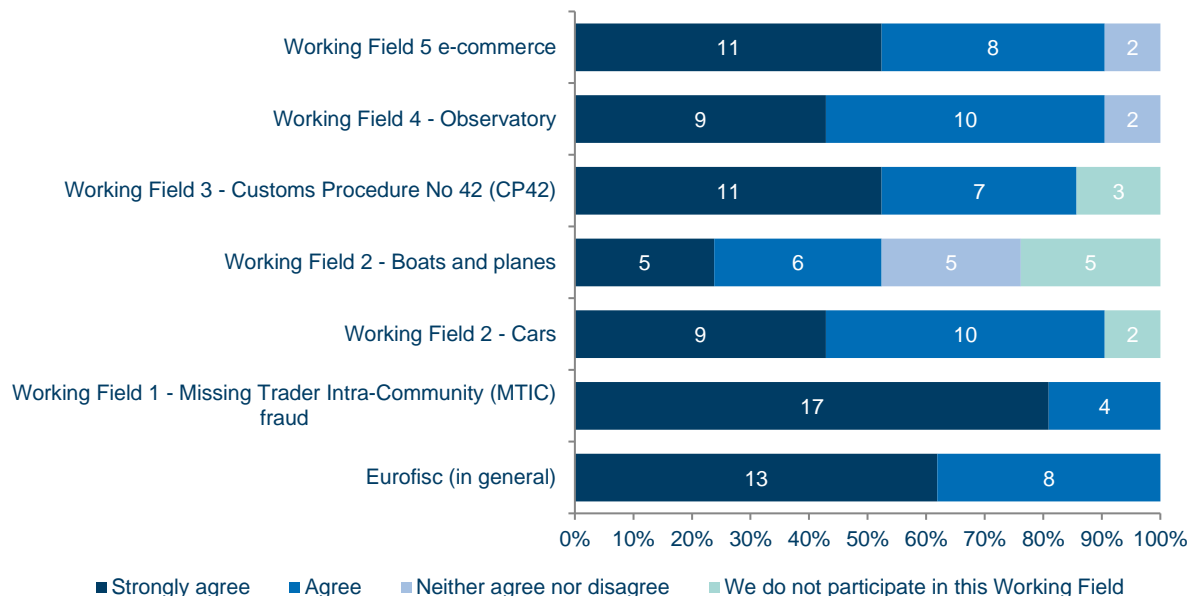
Figure 31 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

When asked whether Eurofisc makes for an [effective early warning tool](#) that improves the collection of VAT on intra-EU transactions within the different working fields, the majority (strongly) agreed. Particularly WF 1 on MTIC fraud is considered highly effective, followed by e-commerce and customs.

Figure 32 Q30 on the effectiveness of Eurofisc (n=21)



The respondents were also very positive about the extended right for Eurofisc officials to consult VIES (art. 21.2(e)) (Q31). 52% (n=11) strongly agreed with this, and 28% (n=8) agreed.

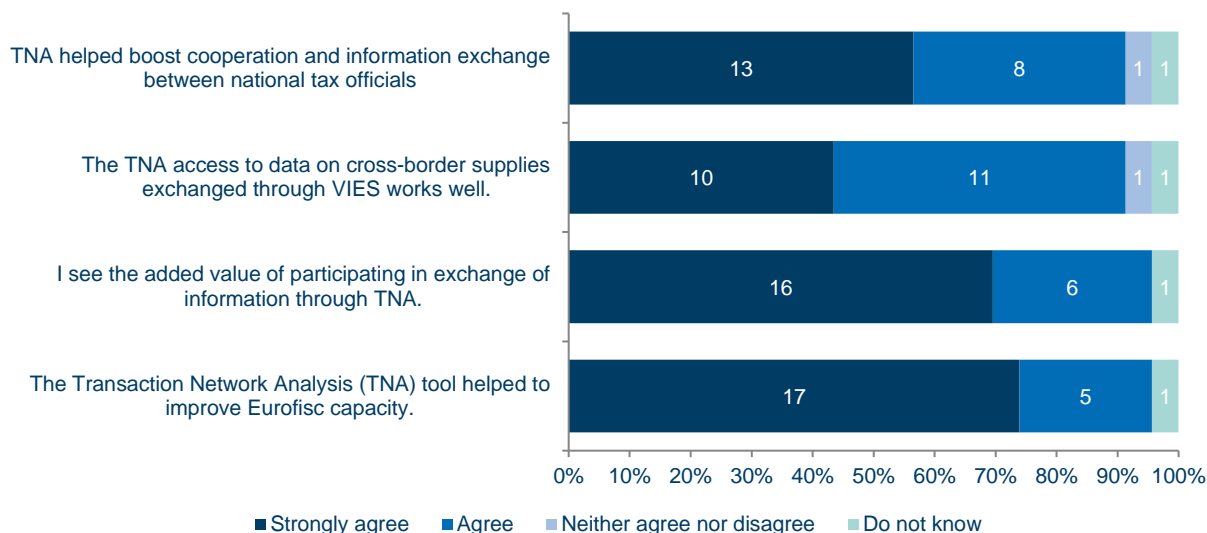
Country comment: 'After the introduction of TNA, there is a higher quality of information (better-targeted information, information exchanged faster), and the effectiveness of the network has been improved. TNA assists MSs in tackling VAT intra-Community fraud.'

Participants of the Eurofisc WF 5 on e-commerce agreed to share risk signals related to e-commerce fraud and committed themselves to respond to such signals within a month, if possible. However, out of the 480 fraud signals shared when Eurofisc WF 5 became operational, the **Member States only provided feedback in response to one out of these 480 signals**, the European Court of Auditors (ECA) reports. ECA, therefore, concludes that "the signals exchanged through Eurofisc WF 5 in this risk database are either not well targeted, not useful or not successful". In addition to risk signals, Member States issue early warning messages about fraud trends and concrete fraud schemes. In 2019, ECA reported that three such messages had been launched, one of which was considered useful to the tax authorities of an affected Member State.⁶⁷ Authorities surveyed for the present study, however, have a more optimistic view on Eurofisc WF 5: 19 out of 21 responding authorities (90%) "strongly agree" or "agree" that the **working field is an effective early warning tool that improves the collection of VAT on intra-EU transaction**.

On TNA, MSs were asked several questions concerning its effectiveness. While overall positive, respondents were particularly **outspoken about TNA's ability to improve Eurofisc capacity** (81%/n=17 strongly agreed). Also, the added value of participating in EoI through TNA was perceived highly (76%=n=16 strongly agreed), giving the impression that the MSs see potential in using this tool to improve risk analysis.

⁶⁷ See: https://www.eca.europa.eu/Lists/ECADocuments/SR19_12/SR_E-COMMERCE_VULNERABILITY_TO_TAX_FRAUD_EN.pdf.

Figure 33 Q30 on the effectiveness of TNA to improve Eurofisc capacity (n=23)



Box 3 Key takeaways from the case study on MTIC fraud

MTIC fraud describes the practice of VAT evasion exploiting the VAT exemption on within-EU cross-border sales to resellers. The reseller charges VAT to a domestic buyer but never passes this VAT on to the tax authority. Instead, the reseller becomes a “missing trader”, while the domestic buyer might claim reimbursement for the paid VAT.

- MTIC fraud schemes are prevalent throughout the EU, notwithstanding Regulation 904/2010.
- The Regulation has facilitated the detection of several missing trader schemes. In particular, the EoI between MSs, Eurofisc’s TNA, and VIES have helped to identify and potentially prevent illegal activities. Moreover, these tools have successfully improved the administrative coordination necessary to investigate MTIC fraud.
- As a side effect, the closer collaboration through the Regulation has improved the criminal investigation and prosecution of MTIC fraudsters, even if the goal of the Regulation is not to combat VAT crime but VAT fraud. At their initial stage, administrative investigations using tools included in the Regulation aim at detecting VAT fraud. Nevertheless, once it is determined that an instance of fraud goes beyond VAT fraud and is, in fact, a suspected VAT crime, the information obtained may be useful for the criminal investigation. In addition to Europol, EPPO – though not part of the Regulation – has proven successful in investigating and unveiling fraudulent schemes.
- However, MTIC fraudsters can still remain undetected, using ever more complex intermediation chains, involving additional actors and countries and/or switching to more “innovative” schemes, e.g. based on non-tangible goods.
- Even fraudsters involved in schemes that are ultimately detected by authorities often manage to escape due to a lack of effective, fast, and coordinated criminal investigation.
- Areas for potential improvements are the acceleration of information exchange, preferably to real-time platforms, the harmonisation of VAT collection among MSs, and the strengthening of the role the EPPO plays in the investigation of VAT fraud.

More information can be found in the MTIC case study in Annex VIII.

Tool 9: Cooperation with national customs authorities

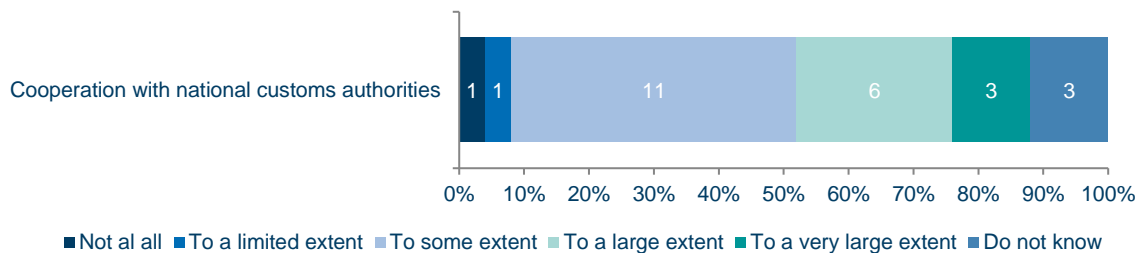
Table 10 Key take-aways usability tool 9

Cooperation with national customs authorities*
<ul style="list-style-type: none"> While cooperation with national customs authorities is broadly used, the automatic exchange of information is difficult due to the different systems used by customs. Cooperation with national customs authorities is not homogenous and consists of different actions. It is unclear whether MSs use these actions differently.

* A more detailed introduction to the tool can be found in Annex X

This tool is used by most MSs but to varying degrees. Most use this to some extent (44%/n=11), followed by a large (24%/n=6) and very large extent (12%/n=3). MSs' feedback highlights that customs use different systems, which makes AEOI difficult. Also, stakeholder feedback points to the fact that cooperation with national customs authorities under articles 17 and 21 is not homogenous and can be broken down into various actions, such as access of tax authorities to CP42 transactions (art. 17.1(f) and 21.2(a)), access of tax authorities to IOSS monthly amounts (art. 17.1 (e)), and access of customs authorities to VIES information (art 21.1(a)). It is not clear from the collected data whether MSs use these differently.

Figure 34 Q5 on the extent to which tools are used (n=25)



Source: Survey of Member State authorities

Tool 10: OLAF

Table 11 Key take-aways usability tool 10

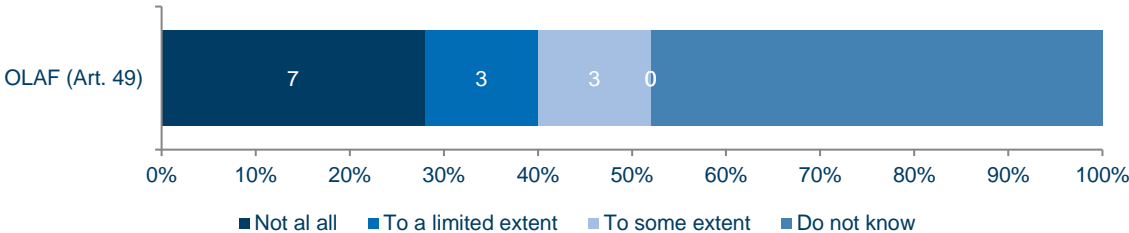
OLAF*
<ul style="list-style-type: none"> MSs rarely share relevant information with OLAF spontaneously. The main factor seems to be the lack of awareness of why it is potentially important to share information with the EU's anti-fraud office. Another barrier to using this tool is the fact that interaction between tax and customs authorities is organised differently in each country. Also, the voluntary nature of the Regulation makes MSs less likely to share information.

* A more detailed introduction to the tool can be found in Annex X

Interview feedback from MS tax authorities and OLAF suggests that, in practice, MSs rarely share relevant information with the EU's anti-fraud body spontaneously. According to feedback from OLAF, this is partially explained by a lack of awareness of what the body could do with the information. Also, on the national level, the interaction between tax and customs authorities is organised differently. As a result, it is sometimes easier for national authorities to approach customs authorities directly rather than going through OLAF. Ultimately,

the [voluntary nature of the Regulation makes MSs less likely to share information](#). Survey feedback confirms the limited use of this tool. In fact, most respondents do not know whether this tool is used (48%/n=12) or claim it is unused (28%/n=7). This points to the lack of awareness of why it is potentially relevant to share information with OLAF as the main factor of influence.

Figure 35 Q5 on the extent to which tools are used to tackle VAT fraud (n=25)



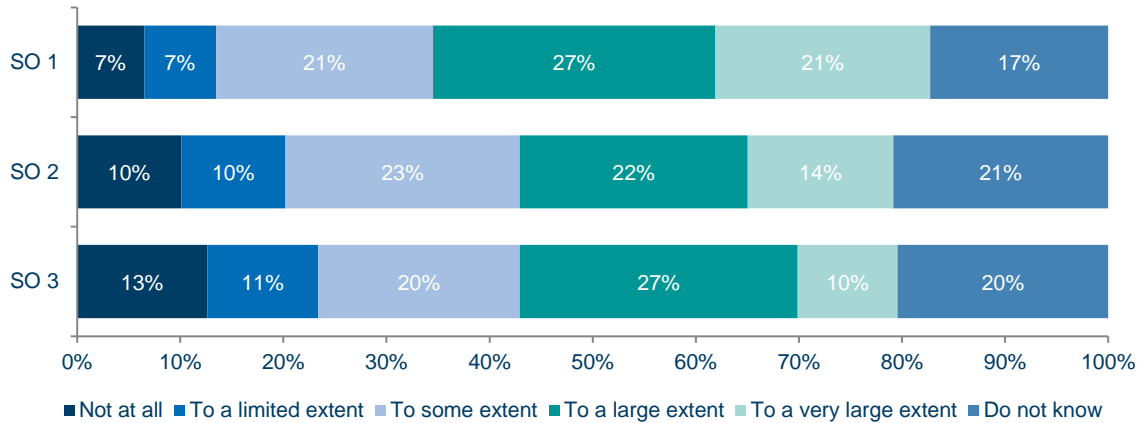
Source: Survey of Member State authorities

Achievement of specific objectives

The Regulation’s more specific objectives are: to utilise the existing administrative cooperation instruments in the field of fighting VAT-related fraud more effectively and to improve EoI between MSs (SO1); to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT (SO2); to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity (SO3).

Overall, [MSs confirmed that the different tools contribute to achieving the specific objectives of the Regulation](#). Most responses consider the tools to contribute to a large extent to meeting the objectives. 27% (n=130) find that the tools largely contribute to better exploitation of the existing administrative cooperation instruments and information exchange (SO1), and 21% (n=99) to a very large extent. While positive overall, slightly fewer responses link the tools to more rapid and effective identification and dismantling of fraudulent networks (SO2) (22%/n=105 to a large extent and 14%/n=67 to a very large extent). Finally, 27% (n=93) and 10% (n=46) consider that the tools contribute to a large and very large extent towards improving the multidisciplinary approach to fighting and preventing VAT-related fraud (SO3). From the survey and interview findings, it is understood that the MS tax authorities find it difficult to value the extent to which the tools contribute to the specific objectives. This is also illustrated by the ‘do not know’ responses. Stakeholders commented that the tools as a whole reinforce each other and function as an ecosystem sustaining the fight against VAT fraud.

Figure 36 Q6 on the extent to which tools contribute to specific objectives (n=130)



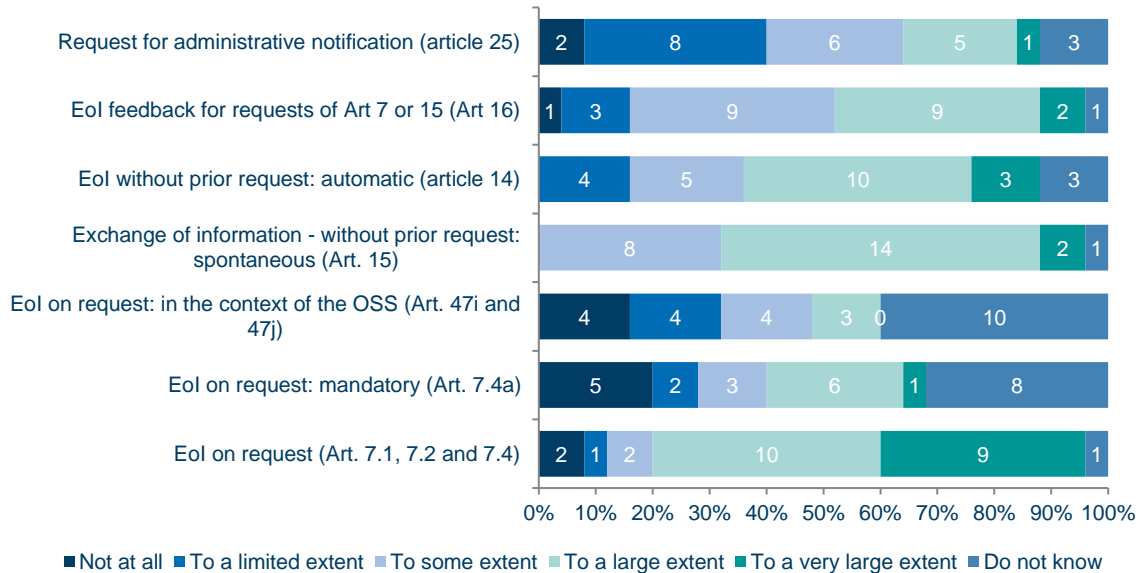
Source: Survey of Member State authorities

The following sections break down the responses per specific objective and set of tools.

Better utilise the existing administrative cooperation instruments and information exchange (SO1)

The feedback from MSs on the extent to which the tools linked to information exchange contribute to better utilisation of existing administrative cooperation instruments and information exchange is clear. Particularly articles 7.1, 7.2 and 7.4, 14 and 15 are perceived as effective in reaching these goals. Noticeable is the limited understanding and effectiveness of the 2018 amendment of article 7(4a), as well as articles 47i and 47j.

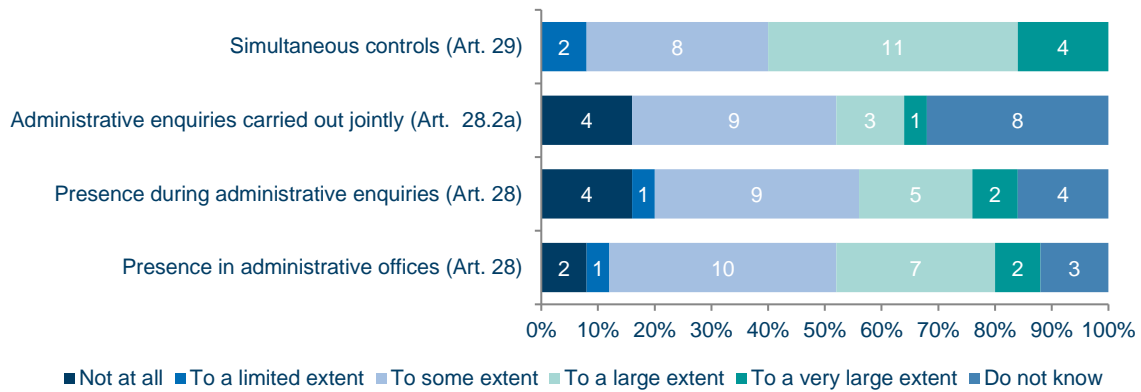
Figure 37 Q6 on the extent to which tools contribute to specific objectives (SO1) (n=25)



Source: Survey of Member State authorities

Stakeholders also consider the presence of officials in other territories and simultaneous controls effective. However, in line with its use, here, the contribution to SO1 is slightly less favourable as well, with more respondents attributing the effect of the tools to some extent only.

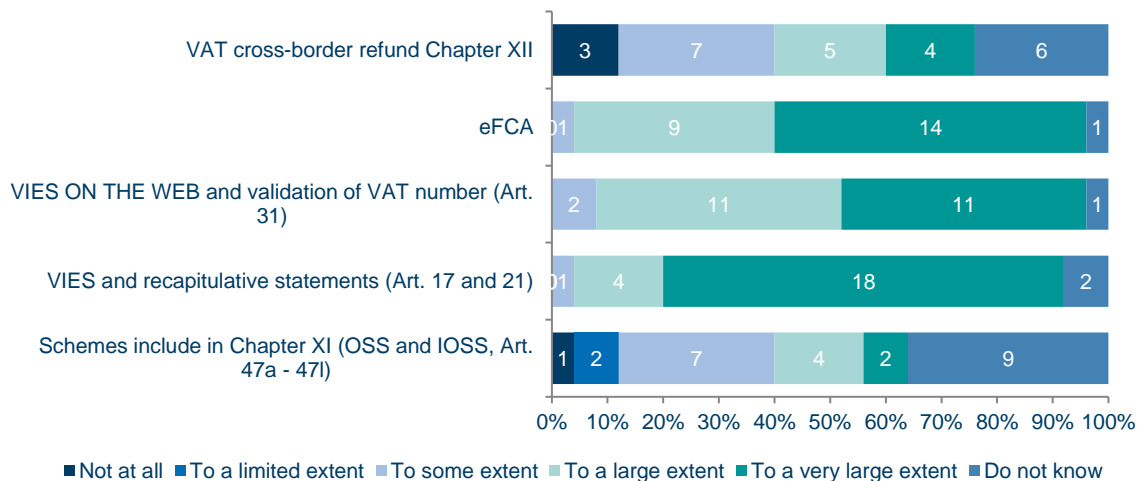
Figure 38 Q6 on the extent to which tools contribute to specific objectives (SO1) (n=25)



Source: Survey of Member State authorities

VIES, in general, and its standard forms are perceived as highly effective tools in improving existing administrative cooperation instruments and information exchange. The slight difference in perception of VIES on the Web and VIES is explained by the fact that the latter is mostly an MS tool, whereas the former is meant for businesses. This also possibly explains the difference between the perceived effectiveness of VAT cross-border refunds and the Chapter XI schemes, which are mostly tools for taxpayers.

Figure 39 Q6 on the extent to which tools contribute to specific objectives (SO1) (n=25)



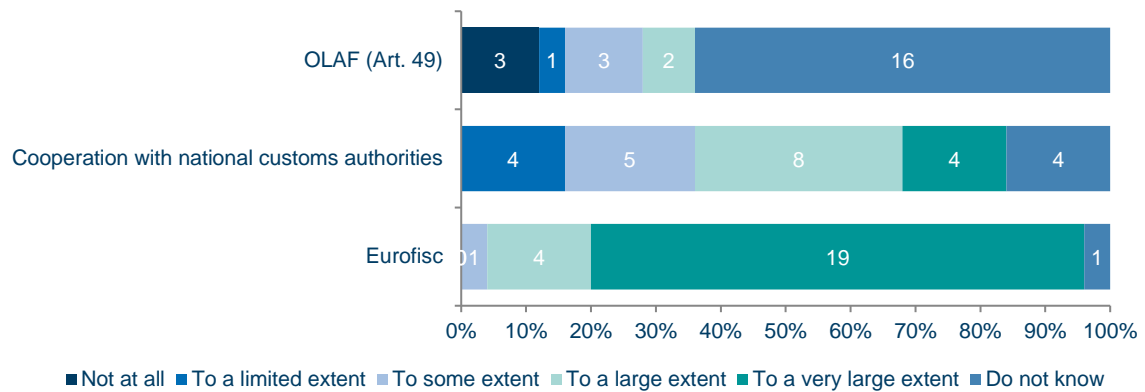
Source: Survey of Member State authorities

Finally, the clear champion in terms of contributing to the achievement of SO1 is Eurofisc. Almost all Member State responses point to the large and very large extent to which this network contributes to better exploiting existing administrative cooperation instruments and information exchange. Interview feedback repeatedly

points to the network as a key hub within the ecosystem of tools. It is a crossroads where MSs come together and improve cooperation in the fight against VAT fraud.

Further, it is noted that the majority of MSs do not use and find Article 49 effective. Stakeholder feedback suggests there is a lack of understanding of what OLAF can mean for Member State authorities, in combination with the voluntary nature of the cooperation and the access of Member States to relevant information through other (law enforcement) cooperation mechanisms.

Figure 40 Q6 on the extent to which tools contribute to specific objectives fraud (SO1) (n=25)

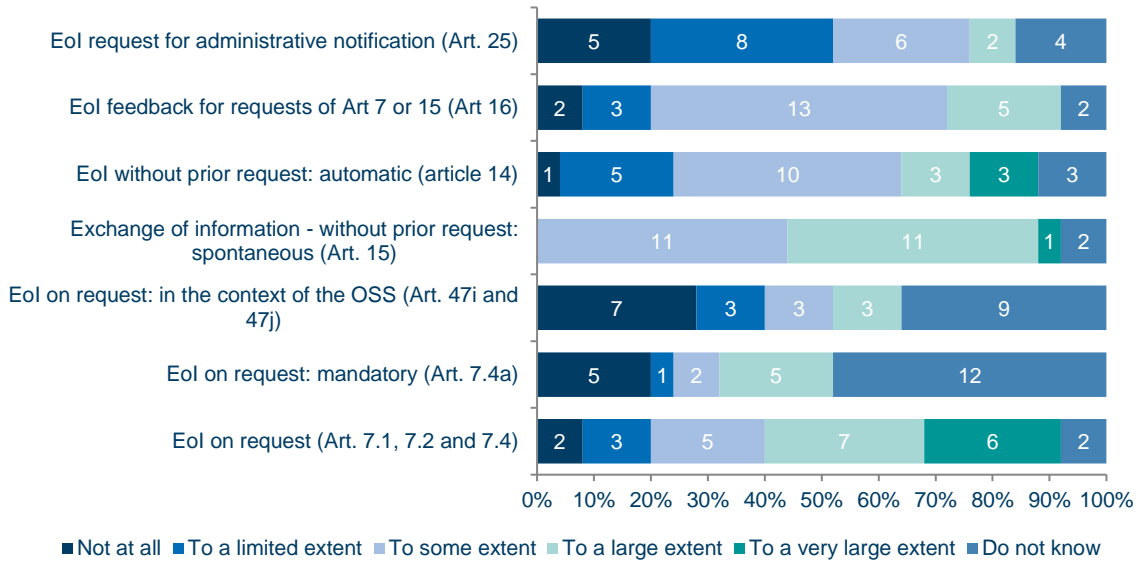


Source: Survey of Member State authorities

Rapid and more effective identification and dismantling of fraudulent networks (SO2)

The feedback from MSs on the extent to which the tools linked to information exchange contribute to more rapid and effective identification of fraudulent networks shows that stakeholders perceive less of a direct correlation between this specific objective and the information exchange tools. However, here, Articles 7 and 15 are also perceived as most effective. Interview feedback points to the importance of timely delivery of information in order to be more effective in the investigation of fraud, which could then result in better repression of fraudulent networks.

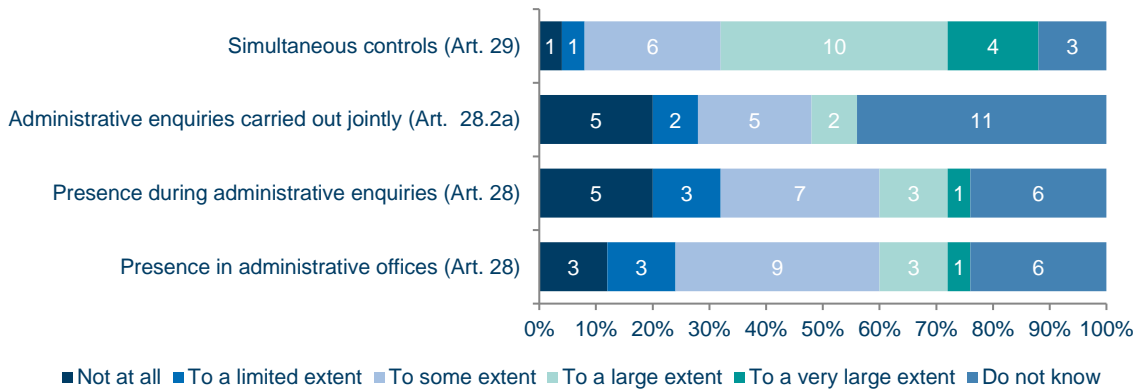
Figure 41 Q6 on the extent to which tools contribute to specific objectives fraud (SO2) (n=25)



Source: Survey of Member State authorities

Simultaneous controls are particularly seen as effective in rapidly investigating and dismantling fraudulent networks. This falls in line with general observations that quick information exchange between authorities helps tackle cross-border VAT fraud.

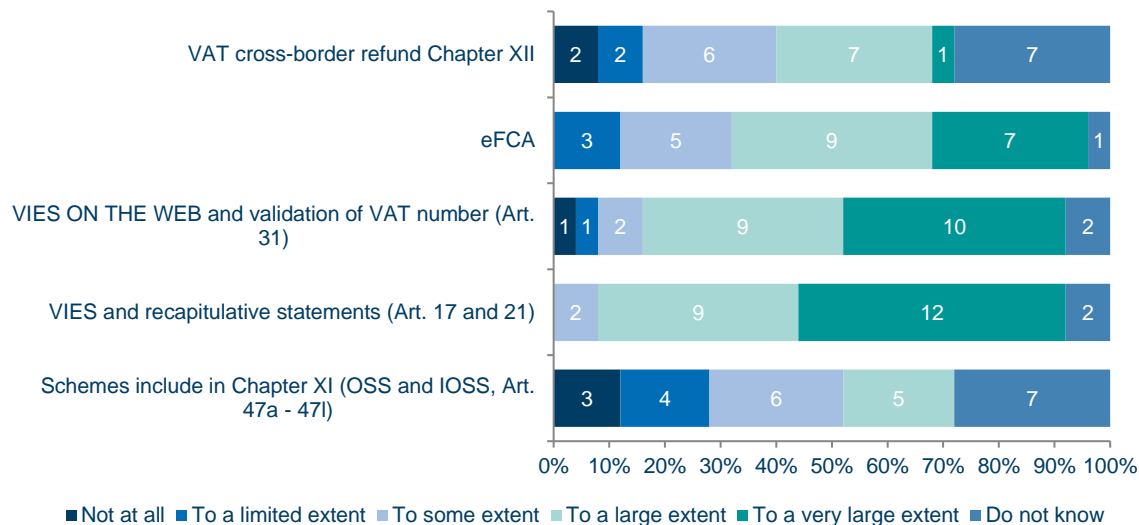
Figure 42 Q6 on the extent to which tools contribute to specific objectives fraud (SO2) (n=25)



Source: Survey of Member State authorities

Access to validation of VAT registration numbers through VIES on the Web (validation used by economic operators) and VIES (validation used by tax administrations) are also seen as effective tools for this specific objective. This falls in line with the high use of these tools by MSs, in combination with the perceived effectiveness of these tools in achieving the first specific objective of the Regulation as well.

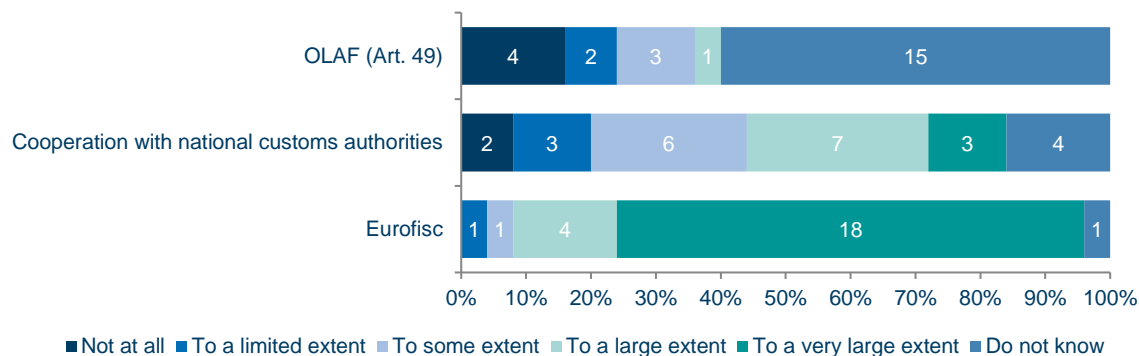
Figure 43 Q6 on the extent to which tools contribute to specific objectives fraud (SO2) (n=25)



Source: Survey of Member State authorities

Finally, Eurofisc is again seen as the most effective tool to achieve rapid and effective identification and dismantling of fraudulent networks. Particularly the safe environment of the network is mentioned as a factor contributing to this.

Figure 44 Q6 on the extent to which tools contribute to specific objectives fraud (SO2) (n=25)



Source: Survey of Member State authorities

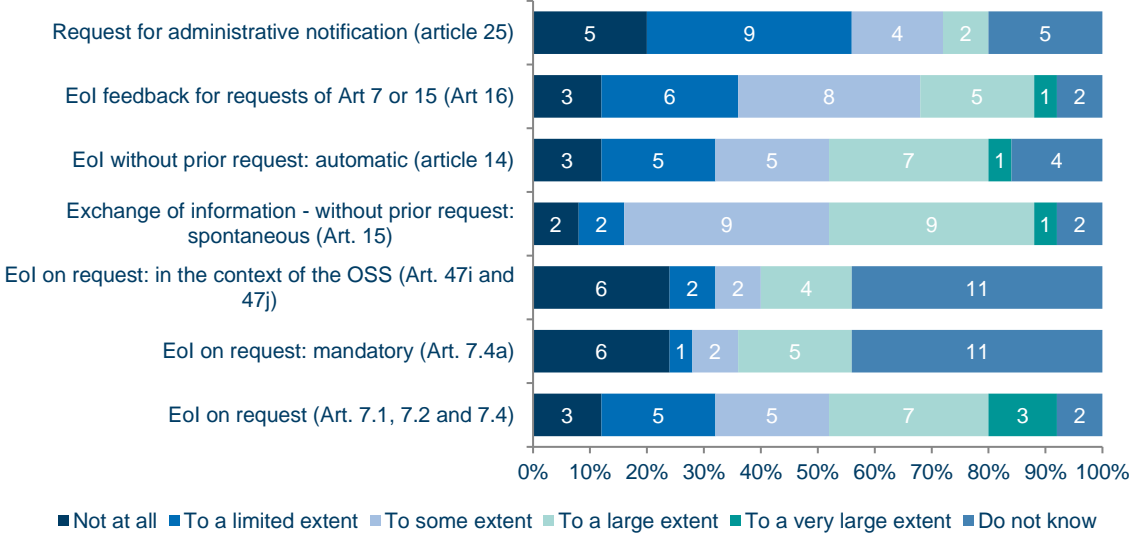
Improve the multidisciplinary approach to fighting and preventing VAT-related fraud (SO3)

The third specific object aims to improve the multidisciplinary approach to fighting and preventing VAT-related fraud. Stakeholders find it difficult to attribute specific tools to this objective. However, the Regulation aims to achieve this by strengthening administrative cooperation 1) between MSs, 2) other relevant EU bodies and 3) economic operators (businesses).

The first set of tools corroborating strengthening administrative cooperation between MSs are clearly linked to EoI. As shown from the survey responses, indeed, MSs find these tools to be effective, particularly in articles 15 and 7.1, 7.2, and 7.4. Respondents at the same time show indecisiveness regarding articles 25, 47(i), 47(j), and 7.4(a) with relatively high 'do not know' or limited effect responses. This perception is understandable

from the point of view that Member State authorities are most familiar with the spontaneous EoI and the one on request. Both can be considered the key actions under the Regulation enhancing cooperation between MSs. The other tools could arguably be considered ancillary to these articles.

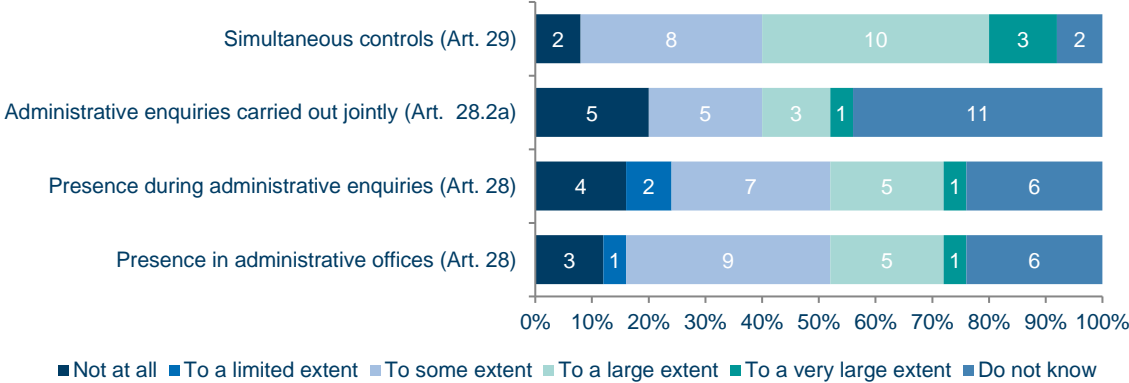
Figure 45 Q6 on the extent to which tools contribute to specific objectives fraud (SO3) (n=25)



Source: Survey of Member State authorities

The same can be found when looking at simultaneous control and administrative enquiries. In fact, these tools also support enhanced cooperation between MSs.

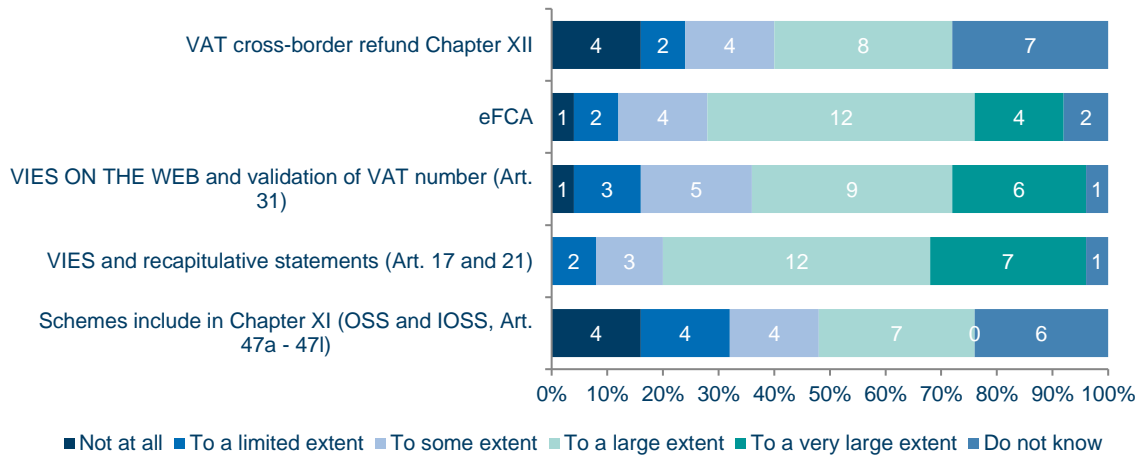
Figure 46 Q6 on the extent to which tools contribute to specific objectives fraud (SO3) (n=25)



Source: Survey of Member State authorities

The following tools are closely linked to a multidisciplinary approach through collaboration between MSs and EU bodies, as well as economic operators. This is clearly shown in the response from MSs, which points to an overall high level of effectiveness of these tools. The VAT cross-border refund, VIES on the WEB and the OSS and IOSS schemes mostly foster cooperation with businesses. The eFCA and VIES help cooperation between MSs but also satisfy the aim of the Regulation to use new technologies.

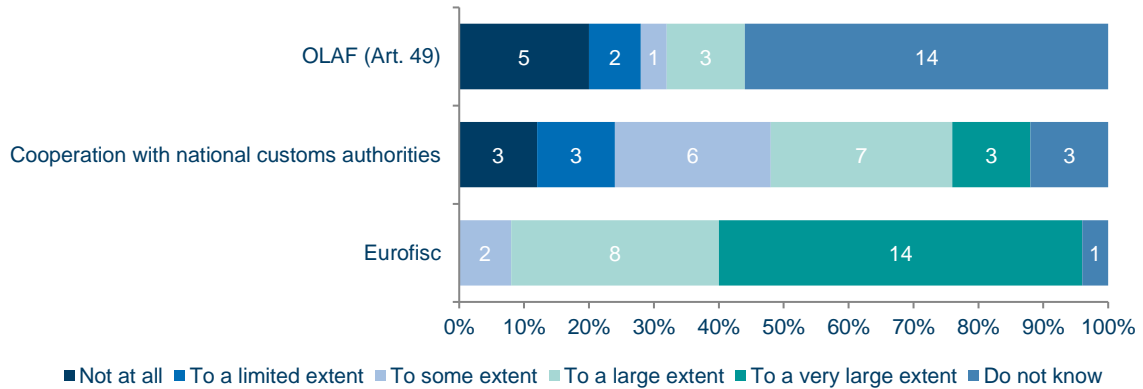
Figure 47 Q6 on the extent to which tools contribute to specific objectives fraud (SO3) (n=25)



Source: Survey of Member State authorities

Finally, Eurofisc is seen as a key tool in achieving the third specific objective too. At the same time, stakeholders are less sure about the role OLAF plays in ensuring a multidisciplinary approach. Vis-à-vis cooperation with customs authorities, the respondents are positive about its effect.

Figure 48 Q6 on the extent to which tools contribute to specific objectives fraud (SO3) (n=25)



Source: Survey of Member State authorities

3.1.3 EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?

Through interviews and the survey, stakeholders from MS tax authorities were asked to reflect on factors that contribute to the usefulness of the different tools. The following sections will present for each tool an overview.

Tool 1: EoI

Factors contributing to its effectiveness

Stakeholders from tax authorities particularly mentioned the time limits and availability of the eFCA tool as being important success factors for exchanging information under article 7. Concerning the latter, various MSs noted that the structured exchanges of information through the standard forms allowed for covering all types of transactions and schemes through one enquiry and, this way, improved follow-up of cross-border transactions. According to the feedback, EoI allows for gathering information that is not available on the national level and can help when used as evidence if provided timely and accurately.

A particular positive factor of spontaneous EoI (art. 15) identified by stakeholders is the ability to enhance trust through the proactive approach of the Member State delivering the information. Of course, the added value of spontaneous information exchange, in the eyes of the respondents, is also the fact that it provides an opportunity to detect VAT fraud that otherwise would go undetected. For this, information needs to be targeted to be useful in performing VAT fraud controls. (e.g. information regarding possible missing traders) so follow-up actions can be taken by the receiving Member State.

Concerning the EoI without prior request (art. 14), stakeholders emphasise the importance of delivering information on new transport means. The feedback for requests of articles 7 or 15 is considered a good learning opportunity. One MS also mentions that it allows one to understand which information is useful for other MSs, ultimately improving the EoI quality. Article 25 on requests for administrative notifications is considered valuable in terms of providing legal certainty for tax payers.

Factors obstructing its effectiveness

National legal barriers complicate data exchange between MSs. For example, some countries can only exchange data after a national audit has taken place. This delays the delivery of requested information. Stakeholders also mention that the tools can lead to a disproportionate administrative burden in the case the requesting authority has not exhausted internal sources of information. Also, at times the requests can be large, which costs time for the requested Member State. Any delay or poor quality of information can then contribute to reducing the effectiveness of information exchange. Both these issues are repeatedly mentioned, with one MS also noting that there are no consequences (read penalties) for MSs that deliver information late.

Another identified obstacle is when information is delivered in a different language. This then requires the requesting Member State to translate the information. Sometimes information is lost because of language barriers. An example is given of a taxpayer contesting a verdict on the basis of poor translation. Also, one MS raises the point that sometimes, information received in SCAC is inconsistent with the information provided by the same MS in the TNA.

Concerning Article 15, it is mentioned that some MSs avoid the threshold condition of EUR 15,000 by sending spontaneous information with the request for feedback instead of sending this through Article 7. This can lead to administrative burdens. Also, another obstacle is the failure to send targeted information, which reduces the usefulness of the information for the receiving Member State.

For AEOI without prior request (Art. 14), one obstacle mentioned is the non-uniformity of files and the irregularity with which the information is sent. Also, it is mentioned that some MSs are not in a position to collect all types of information on the categories of the automatic exchange.

The main obstacles mentioned **concerning feedback (Art. 16) are late delivery or poor quality**. Concerning administrative notifications, the main obstacles identified are language barriers and delay in delivery.

Tool 2: Presence of officials in the territory of another Member State for administrative enquiries

Factors contributing to its effectiveness

A key factor contributing to the effectiveness of this tool is the accuracy of information exchange when being physically present. It also allows for fast exchange and large amounts of (complex) information. In addition, a repeatedly mentioned strength is the possibility to gather information directly from the taxpayer. This tool further allows officials to learn from each other and exchange best practices.

Factors obstructing its effectiveness

The **main obstacle involves the human resources required for this tool**. A factor obstructing the effectiveness is a potentially lengthy procedure to get the presence in another MS approved at home and abroad. It is also important to get full buy-in from the receiving Member State. Also, language barriers pose a challenge or the risk that taxpayers are not available and resources cannot be allocated as efficiently as possible.

Tool 3: Simultaneous controls

Factors contributing to its effectiveness

Success factors for simultaneous controls are similar to those identified for the previous tool. Direct contact with the auditor in other MSs is seen as efficient in gathering information and deciding on follow-up actions.

Factors obstructing its effectiveness

An identified factor obstructing the effectiveness of the tool is the restriction on the use of the information for purposes other than tax. Also, different control rules may apply in different MSs. Stakeholders also flag here that this tool can sometimes be burdensome, as it requires more operational work than other tools. From a more practical point of view, it is mentioned that certain MLCs can be lengthy in time and that increased use of online meetings does not always generate the same advantages as in-person meetings. In addition, in an online environment, the stakeholders cannot share the same information as in-person - that said, during COVID-19, this method did ensure the continuation of activities.

Further, it is mentioned that the exchange of documents is complicated due to the capacity of the CCN mail, which allows only 20 MB per email. Concerning the latter, it is also mentioned that some tax auditors from MSs do not have access to secure networks such as CCN to communicate and exchange information directly.

Tool 4: Schemes included in Chapter XI

Factors contributing to its effectiveness

The key success factor for stakeholders is the possibility of exchanging information automatically. It is also mentioned that on the basis of this information, possible data gaps can be identified, and follow-up can be done through information exchange requests. Several times, stakeholders emphasised the value of these tools for monitoring e-commerce specifically.

Factors obstructing its effectiveness

Factors hindering the schemes' effectiveness is the difference in the quality of information available from MSs. Also mentioned was the lack of staff in combination with technical difficulties in the OSS implementation, which delayed the possibility of taking advantage of this tool in tackling VAT fraud.

Finally, related to the IOSS, one Member State pointed to the fact that monthly listings do not properly cross-check IOSS and customs data.

Tool 5: VIES and recapitulative statements.

Factors contributing to its effectiveness

MSs emphasise that the quantity and quality of information available is particularly a factor contributing to success. Also, the easy access and the possibility to monitor traders by looking at intra-European cross-border transactions are valued. It is mentioned that it helps avoid unnecessary requests for information and reduces possible administrative burdens for others.

Concerning VIES on the WEB, MSs emphasise the fact that it reduces the administrative burden for authorities as VAT numbers can easily be validated online by taxpayers themselves. An added value is also the increased certainty for tax payers.

Factors obstructing its effectiveness

Bottlenecks concerning VIES occur if data is not updated regularly or the overall quality is poor. Particularly differences between how MSs populate the database is mentioned as a potential issue. Further, MSs struggle with the fact that information can only be requested for one trader at a time and that there are limitations concerning information (e.g. L2F1_3MS) which, for example, is only available to Eurofisc officials and not all officials responsible for VAT audits. From a practical point of view, MSs highlight issues such as outdated applications and the temporary inaccessibility of the service.

A similar bottle-neck is identified for VIES on the Web. In addition, sometimes, there is a lack of synchronisation between databases and information displayed in the tool. It is also mentioned that VIES on the Web does not present enough information to identify trading partners or ask for user authentication. Further, issues are also identified in terms of retroactive deregistration from VIES.

Tool 6: eFCA

Factors contributing to its effectiveness

Closely linked to the Eol tool, eFCA's success factors are that the tool is highly reliable, user-friendly and allows for a quick and secured exchange of e-forms. It helps MSs to reduce implementation costs as the tool is available in all official EU languages. The dashboard allows for a quick follow-up of the requests. It is considered a secure tool and apt to exchange large amounts of information. The electronic nature of it is appreciated. It is also noted that it covers Eol with Norway.

Factors obstructing its effectiveness

A factor obstructing its effectiveness is the limitation of data that can be attached. 13 MB per request reply is not considered enough. Also, the automatic statistics are apparently not working. Further, it is mentioned that the tool is a bit slow, and the forms can be complex.

Tool 7: VAT cross-border refund

Factors contributing to its effectiveness

A factor contributing to the effectiveness of this tool is that high-risk claims can be identified more easily through risk assessment, and a response to fraud can be quick. The exchange of warnings on CIRCABC between VAT refund departments of MSs allows authorities to identify suspicious refunds or fraud attempts (e.g. using fake invoices, double claims or blocked suppliers) more effectively. Agreed rules or codes also enable MSs to exchange information and decisions in the application automatically.

Factors obstructing its effectiveness

Stakeholders did not flag many factors obstructing the tool. It was mentioned that the deductions in national VAT returns could lead to less fraud as traders would be identified.

Tool 8: Eurofisc

Factors contributing to its effectiveness

A key Eurofisc strength is the possibility of rapid contact between authorities, as well as its function as an early warning system through direct contact with peers. Also, the possibility to share good practices is valued. EUCARIS, TNA, and CESOP are mentioned as factors contributing to the effectiveness of Eurofisc. The timely access to information also helps in timely feedback on economic operators. MSs also mention that information through Eurofisc helps with risk analysis. The procedures for EoI are faster and simpler.

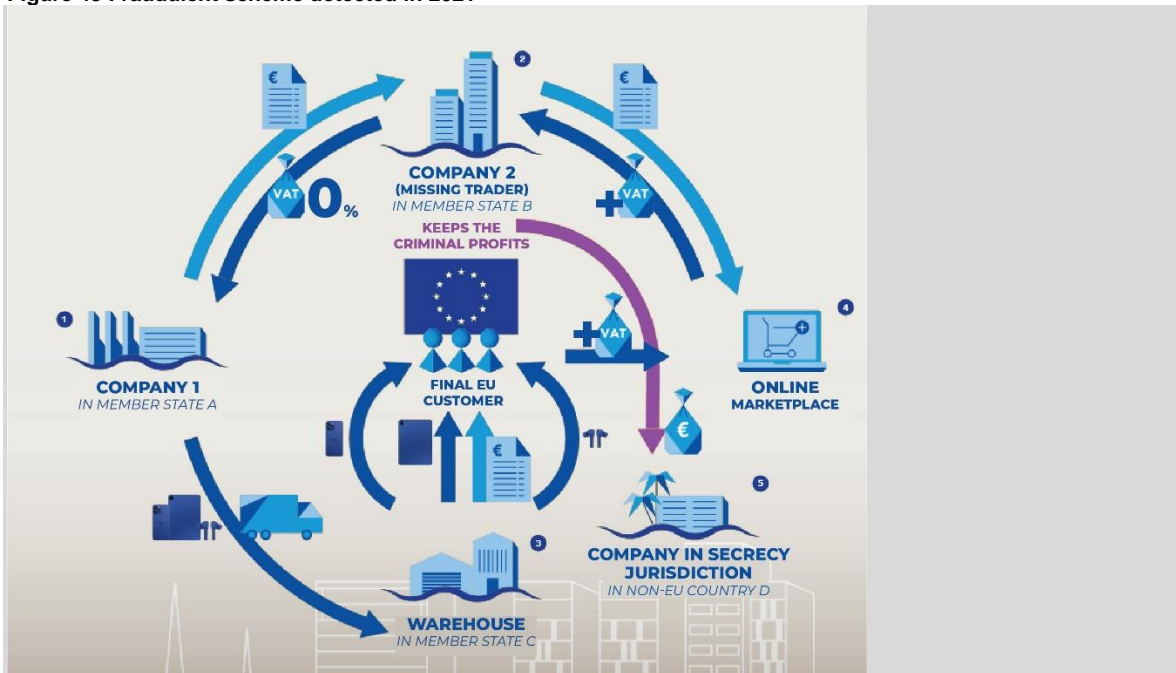
Country comment: 'Eurofisc is an early warning system and also a VAT fraud register, all [MSs] are participating and with TNA the processed information is helpful for common analysis, better statistics, fraud detection, prioritisation, selection and coordination of big fraud networks in the frame of FuA, MLC or action with OLAF and Europol.'

TNA is highlighted. It is used in WF 1 to fight against MTIC fraud, taking the VIES database as a key source of information. WF 1 is now using the Surveillance Database (customs), and WF 2 (fight against VAT fraud with means of transport) is working on using TNA in VAT fraud linked with transactions of vehicles.

Box 4 Illustration of a large MTIC fraud case

To illustrate the current practice of MTIC fraud, the case study on MTIC fraud describes a recent fraud case. The fraud, which was based on the sale of electronics via an online marketplace, was detected by a Portuguese tax authority in April 2021 and fully uncovered by EPPO in November 2022. With an estimated damage of EUR 2.2 billion, the fraud constitutes the biggest VAT carousel fraud that has been revealed in the EU so far. The scheme involved at least 9,000 legal entities and more than 600 individuals from different countries within and outside the Union. The case was detected and investigated in cooperation among 23 EU MSs and 10 non-MSs.

Figure 49 Fraudulent scheme detected in 2021



Source: EPPO (2022)

More information on the case can be found in the MTIC case study in Annex VIII.

Factors obstructing its effectiveness

A factor risking the obstruction of its effectiveness in the collaboration between Eurofisc and Europol is the difficulty in accessing the agency's System for the Information Exchange of National Authorities (SIENA). This is a tool developed by Europol for secure and structured communication and information exchange between law enforcement agencies of MSs. Further, it is mentioned that participation in Eurofisc WFs is voluntary, and thus, some MSs are involved more than others. As a result, the fight against VAT fraud from the periphery is accompanied by some risk. At the same time, some MSs indicate that there is less interest in making participation in Eurofisc's WFs compulsory. Even though it might enhance the quality of the information, it risks duplicating work that is already done through on-request and spontaneous exchanges.

From a more practical point of view, it is noted that encryption and decryption in CIRCABC are time-consuming, there is a lack of feedback, and the column for comments should also be used more often. It is mentioned as well that there are problems with EUCARIS because it is not yet working properly in some MSs.

Another important factor hindering success is the lack of senior management buy-in on the national level, as well as the availability of suitable human resources to allocate to Eurofisc.

Tool 9: Cooperation with national customs authorities

Factors contributing to its effectiveness

This tool's strength is the ability to exchange data automatically and to grant access to customs data which helps to better detect CP42 fraud or to control the IOSS scheme. It allows for the comparison of customs data with tax authority information.

Factors obstructing its effectiveness

Difficulties in using the tool are found in the different ways MSs organise customs issues. Also, data constraints are identified. More concretely, MSs point out the following issues:

Country comment: 'Surveillance IOSS monthly listings are based only on importing country, not the country of destination, so we cannot check IOSS declarations per country. Surveillance data are quite useless at this point. Downloading system is rather uncomfortable; system, in general, could be more user friendly.'

Country comment: 'Central processing is not complete; only raw data could be filtered and reported; missing information on [third] country exporter, description of goods, no company information related to VAT numbers, no VAT number verification via VIES on the Web or at least format check; CP40 with deferment is missing. CP10 export information related to identified and risky qualified operators would be helpful too.'

Country comment: 'Lack of training regarding the use of Customs Data Base (Surveillance), Lack of guidelines on the use of Customs Data Base (Surveillance), Limited experience on the use of Surveillance.'

Tool 10: OLAF

Factors contributing to or hindering its effectiveness

MSs are largely unaware of this tool or do not have an opinion on its strengths and weaknesses. One identified obstacle to its use on the national level is that the cooperation between tax and customs authorities is organised differently in MSs. As a result, it is sometimes easier for national authorities to approach customs authorities directly rather than going through OLAF. Another key obstacle is the voluntary nature of the Regulation, which makes MSs less likely to share information.

3.2 Efficiency

Efficiency looks at the extent to which the Regulation achieves its intended objectives and produces outcomes using the available resources and inputs in an optimal manner.

This evaluation criterion addresses the following evaluation questions:

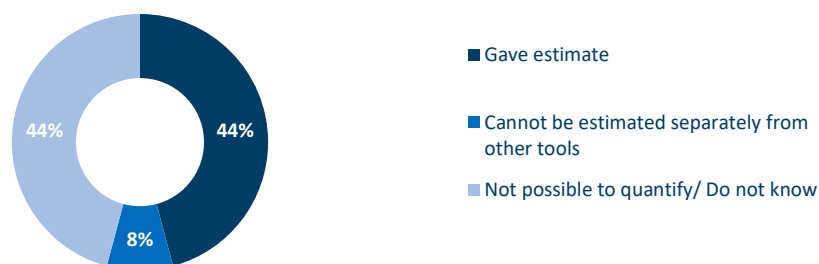
- EQ4: What are the costs and benefits for the different stakeholders concerned?
- EQ5: Are these benefits achieved at a reasonable cost?
- EQ6: To what extent did the financing provided under the Fiscalis programme limit the compliance costs for MSs and hence contribute to the achievement of the objectives?

3.2.1 EQ4: What are the costs and benefits for the different stakeholders concerned?

Public administrations carry a significant part of the costs and benefits of complying with the Regulation. The provisions of the Regulation are mostly meant for public administrations. Tackling VAT fraud could increase VAT revenue for governments. It requires national authorities to cooperate and coordinate activities, which could result in efficiency and effectiveness gains when working on tackling fraud. Also, increased cooperation could lead to improvements in IT systems and internal cooperation between authorities, such as between national tax and customs authorities. The possible costs for authorities are the requirement to invest in international cooperation and particularly the delivery of information. Also, a possible identified cost is the need to adjust national databases and IT systems in order to align better with EU cooperation needs.

However, stakeholders from MS tax authorities repeatedly emphasise that [estimating the cost per tool is difficult](#). In fact, the tools under the Regulation often support national actions and are not costed separately. An exception is the VIES system. It is mentioned that this system is the most relevant and often the only tool that can detect these cases. However, in order to verify the validity of VIES information, other tools under the Regulation are also used. When asked, 11 (44%) MSs were able to provide an estimate, 2 (8%) mentioned this could not be separated from other tools, and 11 (44%) did not know.

Figure 50 Q2 on whether costs to application VIES can be quantified (n=25)

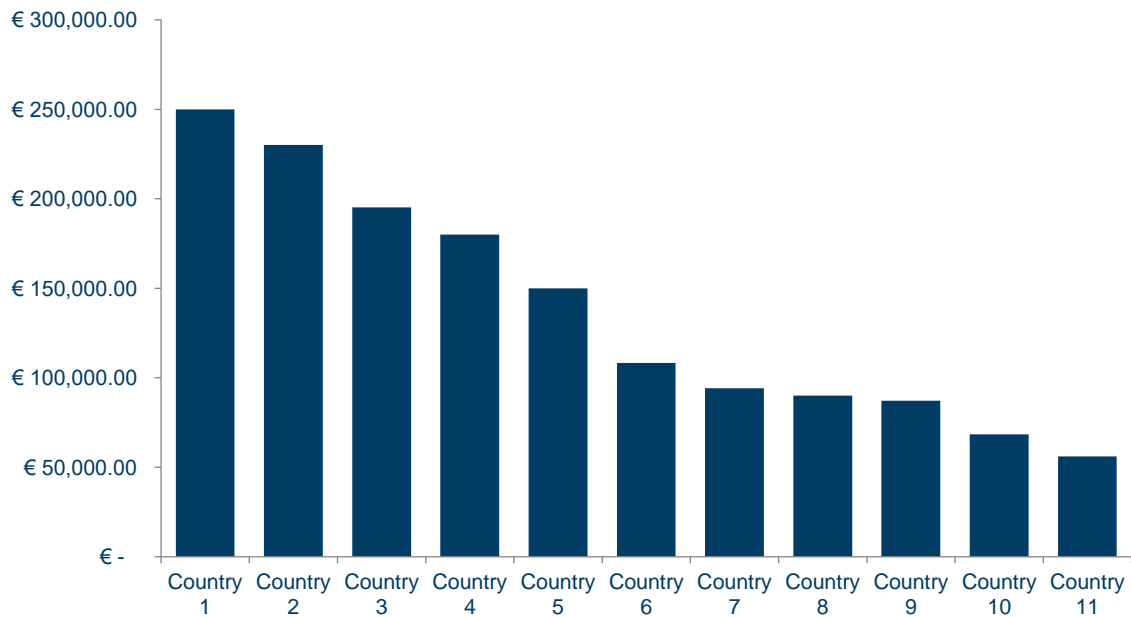


Source: Member State survey

Feedback collected shows that [MSs have a wide range of different estimations on the costs associated with VIES](#). This ranges from EUR 50,000 to EUR 100,000 and even up to EUR 250,000 for one-time investments.

One Member State noted that through an external contractor on a yearly basis, an estimated EUR 10,000 is spent on maintaining the application. This cost is expected to increase in the upcoming years and does not include costs to run the platform or make any additional developments to it.

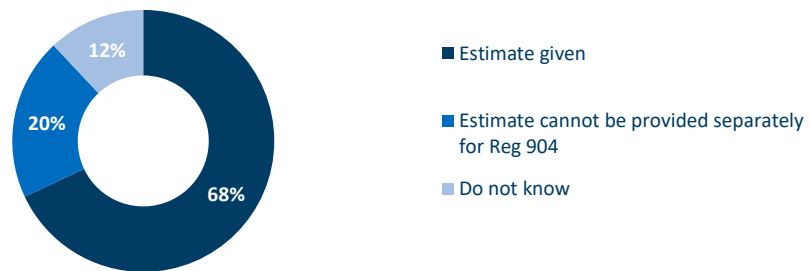
Figure 51 Q2 on the quantification of costs to maintain national VIES application



Source: Member State survey

When asked about the [human resources allocated to VAT administrative cooperation](#), more MSs were able to [provide insights](#). In fact, only five (20%) MSs could not specifically estimate this, and three (12%) did not know.

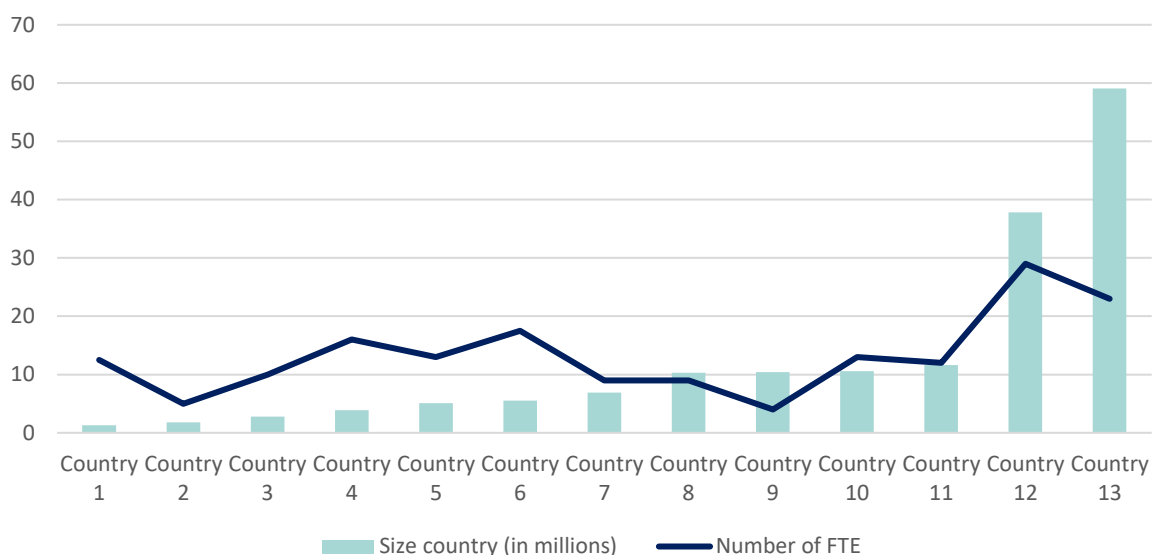
Figure 52 Q2 on the human resources allocated to tackling VAT fraud



Source: Member State survey

The [number of FTEs \(full-time equivalent\) per MS](#) ranges from 5 to almost 30, depending to some extent on [the size of the country](#). However, this is not the only driver for the number of staff allocated to fighting VAT fraud. Other criteria for this are the number of VAT cross-border transactions or businesses trading, different governmental levels involved in taxation and organisational structure. Feedback from MS tax authorities suggests the close involvement of tax authorities, ministries of finance, customs authorities, and (financial) law enforcement agencies. Within tax authorities, different types of units or departments are listed: anti-fraud; international cooperation; operational management; audit and compliance; strategy and management.

Figure 53 Q4 on the human resources allocated to tackling VAT fraud (n=13)



Source: Member State survey

Also, repeatedly, MSs emphasise that **staff do not exclusively work on VAT**. For example, staff might be dedicated to dealing with Eol on tax generally, including VAT. Another example might be that MSs emphasise that VAT responsibilities are spread around the public administration, within tax authorities and also customs, and within different departments or governmental levels, making it hard to estimate how many human resources are dedicated to the work.

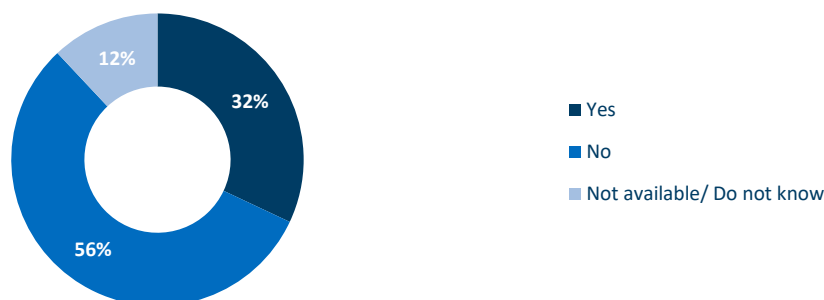
- Country A: 'Due to the small Member State and small administration, we do not have employees engaged ONLY in VAT administrative cooperation. Usually, employees also have other tasks. Therefore it is difficult to estimate the human resources allocated to VAT administrative cooperation. Roughly estimated 10-15 employees are fully allocated to VAT administrative cooperation. The global amount of human resources: [country] Tax and Customs Board has 1300-1400 employees (note that also includes customs officials including officials working on the border of the EU).'
- Country B: 'HR allocated to the International relations department/CLO VAT (General Administration of Taxes) = 8 FTE. HR allocated to the International cooperation department (General Administration of Special Tax Inspectorate) = 3 FTE. HR allocated to VAT Regulations department (General administration Strategic Expertise and Support) = 1 FTE. HR allocated to Finance = 18,216 agents (as of 31/12/2021)'
- Country C: '6 officials for Customs Agency, six officials for Agency. As for [financial law enforcement agency], all administrative assistance activities are activated by the VAT squad of the VAT and Direct Taxes Section of the 2nd Department. The requests are then sent to and materially carried out by the competent local Unit selected for each request. The VAT squad is composed of 10 personnel and one head of squad, reporting to the head of the VAT and Direct Taxes Section, and it is tasked with the following: examination of the e-Forms and of the information contained therein, identification of the competent local unit through consultation of databases, translation, and forwarding activities; police cooperation requests (since [financial law enforcement agency] is also part of law enforcement); management of MLC's and PAOE's; participation in the Eurofisc network (WF1, WF2, WF5 and Eurofisc group); CLO activities are not to be considered the only task carried out by the squad on a daily basis.'

Local Units are autonomously organised in terms of personnel and hours dedicated to such activities, therefore, it is not possible to evaluate the costs nor to quantify the human resources involved.’

- Country D: ‘[...] Our experts on international affairs and cooperation, supported by IT and technical experts and legal issues, are multi-professionals; not only dealing with VAT admin issues but also with global EoI and cooperation, also bearing in mind other tax types than VAT. Still, especially in Anti Fraud team, we are dealing practically only with VAT fraud detection and prevention. As a summary, our reply is the following: 1) Officials responsible for global EOI, coordination, cooperation and other international affairs, including mandates based on the Regulation (EU) 904/2010: 25-30 officials; 2) VAT Anti Fraud coordination: 3 officials; 3) Operational staff (e.g. desk controllers, tax auditors) is not included; 4) Global amount of human resources in Tax Administration: c. 5 200 persons (2021); 5) Costs: not available.

When looking at **benefits from the Regulation**, MS tax authorities mostly point to the economic impact of fighting VAT fraud. For example, Eurofisc shows that cooperation within the network resulted in the identification of 2161 fraudsters, including 1471 missing trader fraud cases, and a total of EUR 8.1 billion in fraudulent or suspicious transactions uncovered.⁶⁸ However, as for the cost estimations, quantitative benefits are mostly difficult to measure. MSs authorities were asked whether they monitored the quantitative effect of the fight against VAT fraud. In response, eight (32%) MSs confirmed that they collected some information, three did not know (12%), and fourteen (56%) said no.

Figure 54 Q5 on whether MSs monitor the quantitative effect of the fight against VAT fraud (n=25)



Source: Member State survey

In addition, the way in which information is collected, monitored and assessed differs in MSs. Various clarifications were given:

- One MS explained that they would not evaluate the amount of VAT fraud but would monitor the number of VAT inquiries, VAT tax audits, and VAT assessments after the tax audits.
- Another MS noted that audits were monitored but covered infringements of national legislation and EU legislation on cross-border transactions and, as such, are not separately registered. This would make it difficult to estimate the exact effect of specific cooperation tools.
- One mentioned it is not possible to monitor the effects of the fight against VAT fraud in terms of “VAT assessed”, “VAT collected”, “VAT refunds reduced”, and “Sanctions imposed on taxpayers” in relation to the use of different tools. The authority highlighted that tools provided under the Regulation are often used in a complementary and combined way, which does not allow for determining how much savings can be attributed to each of them. The only data that could be provided with reasonable accuracy is related to the number of deregistered traders/excluded from VIES following the information exchanged within the Eurofisc network.

⁶⁸ See: https://taxation-customs.ec.europa.eu/taxation-1/vat-and-administrative-cooperation_en

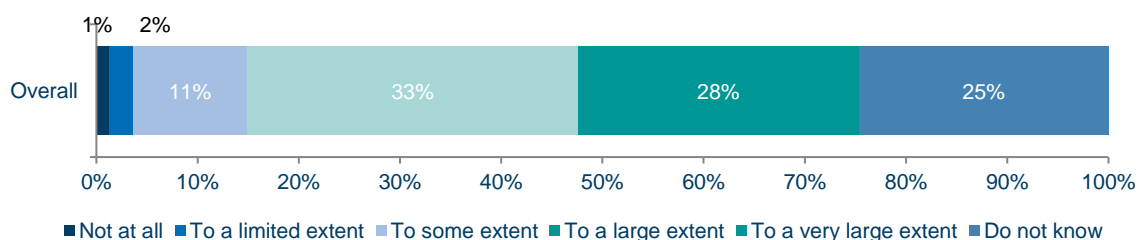
- Another Member State mentioned that the assessments in the country were monitored on a tax-wide scale and not specifically on VAT.
- One also noted that in order to assess the extent of VAT fraud, they would use the estimate of the VAT gap calculated by the CASE method.
- An example of a rather sophisticated way to apply the measure was also given. This Member State monitors the effects by: 1) Generating statistics on detected amounts and types of anti-fraud measures (e.g. VAT de-registrations, denied VAT registrations, desk controls, tax audits, reports of criminal offences) and quantifying this in euros. 2) Applying a prognosis method by using data analytics which calculates the future estimation of tax loss for the next 12 months in case a fraudster succeeds in bypassing checks and causes tax loss this way. This method is constantly being finetuned. In 2022 it resulted in an estimation of EUR 80 million gained in VAT due to anti-fraud measures on an approximately EUR 330 million basis of VAT.
- Repeatedly, MSs emphasised that determining the tax savings attributable to the Regulation is difficult because tools are often supporting national taxation measures and thus do not form the final tax decision on their own.

Although to a smaller extent, also economic operators besides public administration have costs and benefits from the Regulation. Interview feedback from economic operators suggests that, indeed, companies associate VAT regulation with these possible costs. However, *it is unclear to which extent companies can actually attribute costs specifically to rules pertaining to VAT fraud combatting*. In fact, feedback suggests that companies generally understand the societal value of tackling fraud, as it ultimately corrodes trust in the economy. Also, it is understood that it helps create a level playing field and increase competitiveness. At the same time, it is mentioned that there is a danger of overregulating and increasing compliance costs for businesses as a result. This can be particularly difficult for SMEs working with lower profit margins.

3.2.2 EQ5: Are the benefits achieved at a reasonable cost?

When **tax** authorities are asked about the extent to which the benefits of the tools under the Regulation outweigh the costs, *the majority of respondents replied positively (aggregate of all individual responses for the tools shows 33%/155 to a large extent and 28%/132 to a very large extent)*. At the same time, it has to be noted that one-quarter of responses indicated that *MSs find it difficult to judge whether benefits outweigh the costs*.

Figure 55 Q13 on the extent to which tools benefits outweigh costs (n=25)

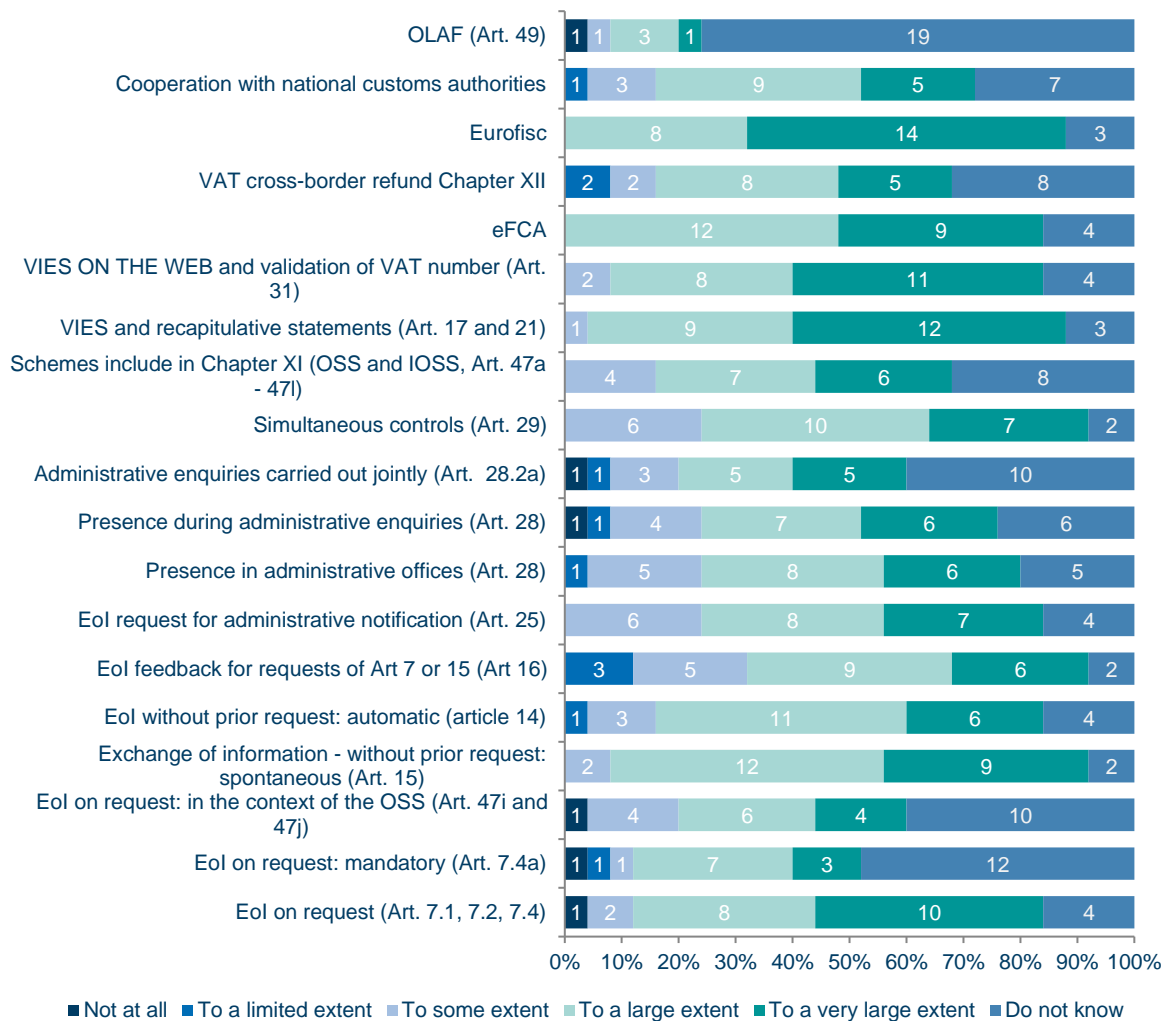


Source: Survey of Member State authorities

A breakdown per tool highlights *a series of tools that are particularly perceived as being cost-efficient, for example, Eurofisc, eFCA, VIES on the Web, VIES, and spontaneous EoI and EoIR*. Noticeable are the reviews on the EoI feedback for requests, where some stakeholders are slightly more withholding on the cost-benefit ratio. This is in line with comments made during interviews and through the survey emphasising that

poor quality feedback is a potential waste of resources for both the recipients and the authors. The cost-benefit assessment for the other tools, such as Eurofisc, eFCA, VIES on the Web and VIES, align with the high usability of the tools, as well as the perceived effectiveness of these tools contributing to specific objectives of the Regulation.

Figure 56 Q13 on the extent to which tools benefits outweigh costs (n=25)



Source: Survey of Member State authorities

3.2.3 EQ6: To what extent did the financing provided under the Fiscalis programme limit the compliance costs for MSs and hence contribute to the achievement of the objectives?

Fiscalis 2020 is a European cooperation programme that the exchange of information and expertise between national tax administrations. It offers MSs a framework to develop activities in the area of 1) cooperation between officials, 2) information technology and 3) human capacity building. The relevance of this is confirmed through the stakeholder interviews conducted for this study. More specifically, these three areas are repeatedly mentioned by MS tax authorities as key factors influencing the efficiency of implementing the Regulation.

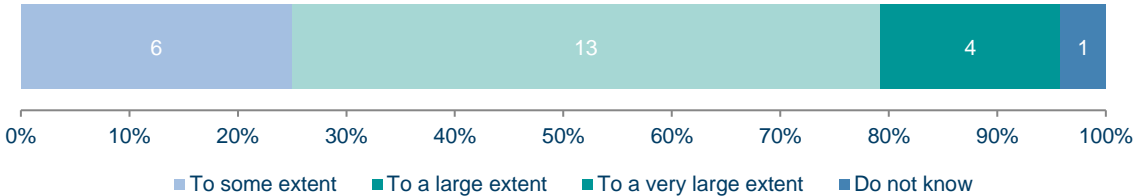
Under the Multi-annual Financial Framework (MFF), 2014-2020, Fiscalis committed EUR 223.7 million.⁷⁵ Due to the COVID-19 pandemic, many of the programme's cooperation activities were cancelled, which allowed the Commission to allocate available funding to the maintenance of existing information technology systems. In 2021 stakeholders adapted to new working methods, and cooperation activities were restarted. A driver in this was the availability of information technologies which allowed participants to meet more easily online. That same year, Fiscalis funded the European Electronic Systems (EIS) portfolio, which aimed specifically at supporting tax authorities in fighting tax fraud, evasion, and avoidance.

In terms of supporting administrative tax cooperation, the programme supported 66 collaborative actions, including the TADEUS Network of the Heads of Tax Administration Summit, which supported projects setting up a new governance structure and strategy for Eurofisc. In the area of fighting fraud, evasion, and aggressive tax planning, Fiscalis 2020 implemented 62 actions. An important part focused on the Eurofisc network, which was supported by the programme through 6 project groups.⁷⁶ Concerning IT capacity building, Fiscalis 2020 supported *inter alia*:⁷⁷

- The EIS portfolio aims to build systems that enable secure information exchange between MSs tax administrations.
- The Common Communications Network/Common Systems Interface (CCN/CSI).
- The IT systems' deployment and development related to the VAT e-commerce package of July 2021.
- The extension of the VAT MOSS to the OSS, as well as communication and e-learning activities to businesses and officials in MSs.
- The TNA, which supports Eurofisc in (the swift EoI as well as the joint processing of data for) the fight against VAT fraud, allowed for the possibility of collecting data from VIES on the Web for the first time.

The importance of the TNA is confirmed through Member State interviews lowering administrative burden and allowing for fast EoI. When asked, 24 out of the 25 surveyed MSs stated they had received funding under the Fiscalis programme. To a large and very large extent (68%/n=17), MSs consider that the programme has contributed to the results achieved in the fight against VAT fraud.

Figure 57 Q14 on whether the Fiscalis programme contributed to delivering results (n=24)



Source: Survey of Member State authorities

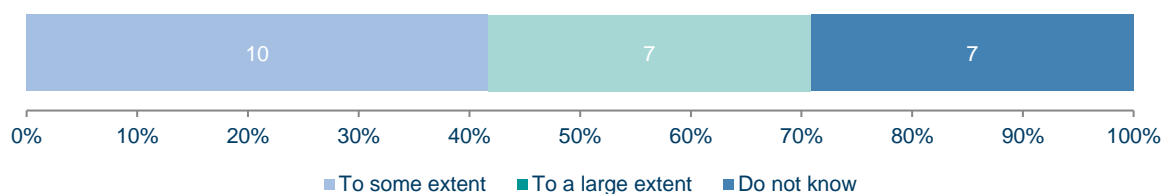
On cost-efficiency, the surveyed MSs confirm that the programme helps to reduce compliance costs. However, most mention that it only contributes to some extent (42%/n=10), followed by a large extent (29%/n=7) and do not know (29%/n=7).

⁷⁵ See: https://ec.europa.eu/info/strategy/eu-budget/performance-and-reporting/programme-performance-overview/fiscalis-performance_en#mff-2014-2020-fiscalis

⁷⁶ See: https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/ps_db2023_fiscalis_h1.pdf

⁷⁷ Ibid.

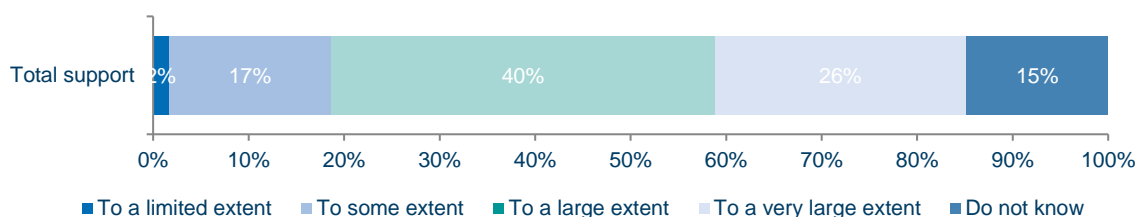
Figure 58 Q15 on whether the Fiscalis programme contributed to reducing compliance costs (n=24)



Source: Survey of Member State authorities

Interview feedback indeed confirms that MSs appreciate the financial support given through the Fiscalis programme. At the same time, it is mentioned that this only alleviates the costs carried on the national level to comply with the Regulation. Most of the costs related to cooperation in the fight against VAT fraud fall on account of the Member State by default; it is not expected for the Commission to take up a larger share as well. The support of the Commission, however, goes further than solely offering support through the Fiscalis programme. When asked about the efficiency and sufficiency of the support given to MSs, responses are overall very positive (aggregated responses 40%/n=73 to a large extent and 26%/n=48 to a very large extent).

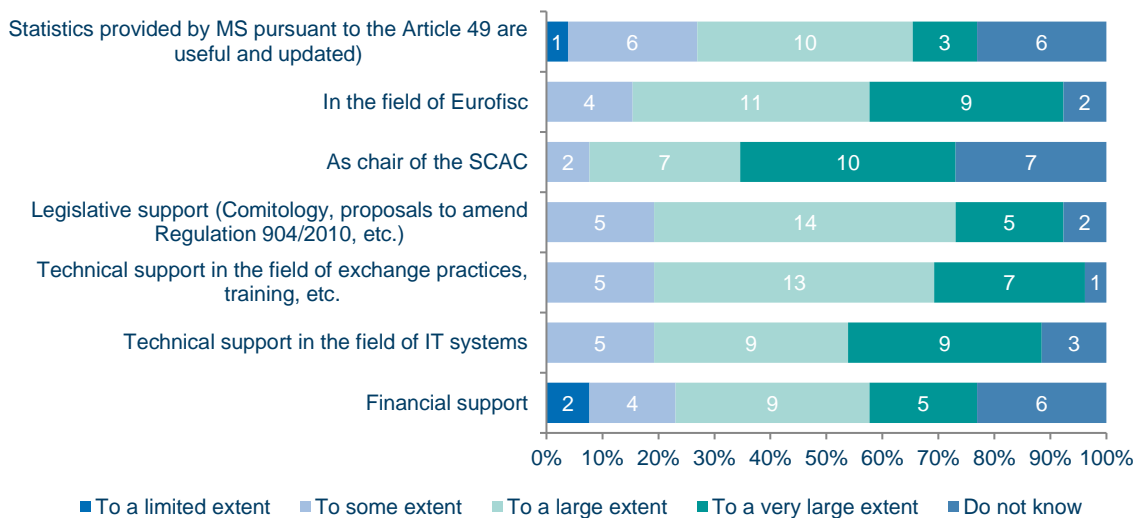
Figure 59 Q3 on efficient and sufficient support from the Commission to MSs (n=26)



Source: Survey of Member State authorities

A breakdown of the different areas in which the Commission provides support shows that particularly in technical support in the field of exchange practices and training and support to Eurofisc are highly valued. Both are closely linked to the role of the Commission as conveners when bringing CLOs around the table to discuss issues in the fight against VAT fraud.

Figure 60 Q3 on efficient and sufficient support from the Commission to MSs (n=26)



Source: Survey of Member State authorities

3.3 Relevance

Relevance looks at the alignment of the original objectives of the Regulation with the current needs and problems of stakeholders and the EU as a whole. This criterion checks whether the rationale underlying Regulation 904/2010 is still appropriate or if it requires a revision so as to take into account changing needs and problems. For example, relevance questions will seek to assess whether the cooperation tools still fill gaps in terms of required collaboration to tackle VAT fraud.

This evaluation criterion addresses the following two evaluation questions:

- EQ6: To what extent do the initial objectives still correspond to current needs/issues?
- EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social, and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as for instance, EPPO and the anti-money laundering authorities?

It should be noted that the assessment of needs has taken into account that some of the needs and problems could have been already addressed in the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 (which will come into force in 2024 and 2025) as well as the initiatives that the Commission is envisaging in the Action Plan for fair and simple taxation and in the “VAT in the digital age package”.

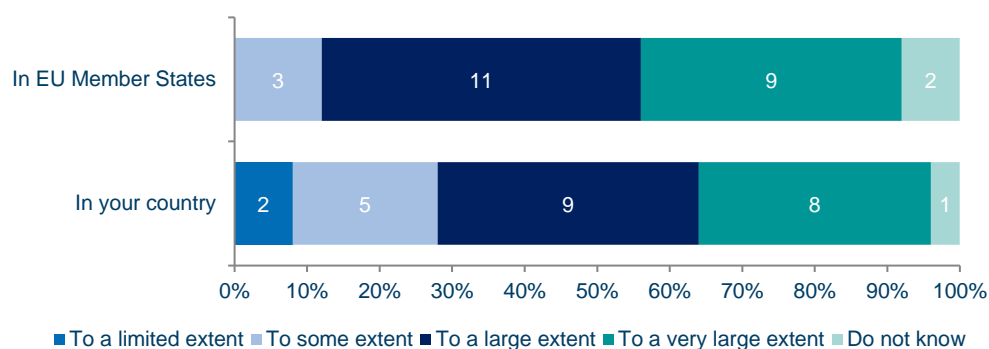
3.3.1 EQ6: To what extent do the initial objectives still correspond to current needs/issues?

VAT fraud is a phenomenon which targets inherent shortcomings of the EU VAT system – these can manifest in a number of VAT fraud types⁷⁸. With this in mind, the intervention logic underpinning Regulation (EU) 904/2010 identifies three needs (problems):

- N1 The need for MSs to react quickly.
- N2 The need for improved administrative cooperation.
- N3 The need for MSs to act in the most efficient manner before fraud is perpetrated.

The tools envisaged under the Regulation aim to address these needs by providing MSs with the means to tackle VAT fraud. As mentioned in section 3.1 on effectiveness, while the magnitude of VAT fraud still remains hard to measure, stakeholders do continue to perceive it as a problem both at the national and EU level. The MS tax authority survey showed that the majority of respondents (80%/n=20) consider VAT fraud as a problem in MSs to a large or very large extent. Given the cross-border aspect of VAT fraud, the problem was perceived as being larger at the EU level than at the national level, where a smaller proportion of respondents indicated VAT fraud as being problematic to a large or very large extent (68%/n=17).

Figure 61 on the extent to which respondents consider VAT fraud a problem



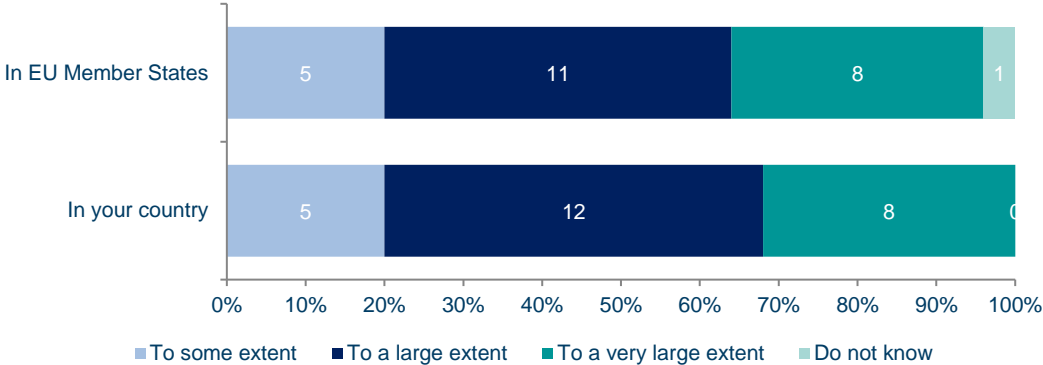
Source: Survey of Member State authorities

Overall, the **initial objectives** of Regulation (EU) 904/2010 and the tools identified within **still largely correspond to the needs of MSs** in addressing the root causes of VAT fraud. Surveyed tax authorities (n=25) believe there are no parts of Regulation (EU) 904/2010 that are no longer relevant for the control of the intra-EU transactions and efficient collection of VAT. When asked to assess the degree to which objectives of the Regulation help control intra-EU transactions, collect VAT, and address VAT problems, the majority of tax authorities (76%/n=19) stressed these were aligned to a large or very large extent at the EU level as well as in their country (80%/n=20). According to respondents, Regulation (EU) 904/2010 helps identify and address best two types of fraud: MTIC fraud (84%/n=21) and fraud in relation to the dual VAT regime applicable to cars (64%/n=16)⁷⁹. Mis-categorisation of a product to benefit from preferential rates (8%/n=2) and fraud occurring in the informal economy (e.g. unreported cash-based sales, using more than one time a receipt) (8%/n=2) were perceived as falling out of scope of the Regulation.

⁷⁸ Impact Assessment Report accompanying the Proposal for a Council Directive amending Directive 2006/112/EC, SWD(2022) 393 final, p. 11.

⁷⁹ Multiple choice question *Which frequently occurring type of VAT fraud does the Regulation 904/2010 help identify and address best?*

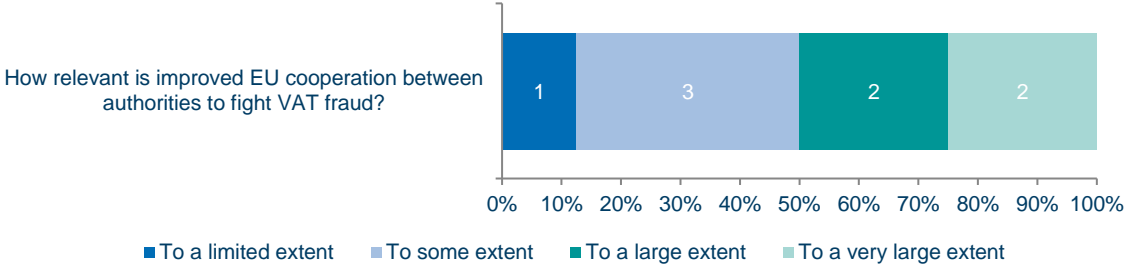
Figure 62 on the extent to which the objectives of the Regulation align with the need to control intra-EU transactions, collect VAT, and address VAT problems



Source: Survey of Member State authorities

Economic operators had a similar view, with the majority considering improved EU cooperation between VAT authorities to fight VAT fraud as relevant. When asked, 12.5% of the operators agree that it is relevant to a limited extent, 37.5% to some extent, 25% to a large extent, and another 25% to a very large extent.

Figure 63 Q4 on the relevance of improved EU cooperation to fight VAT fraud (n=8)



Source: Survey of economic operators

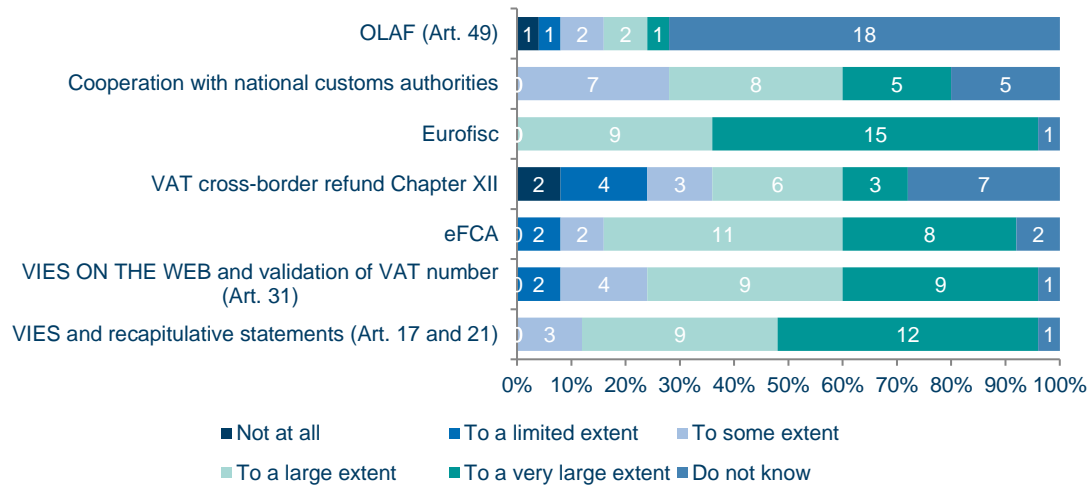
MSs⁸⁰ consider that all administrative cooperation instruments are relevant in addressing needs, although some do so to a larger extent than others. The fact that the tools are used and judged as useful indicates that these are relevant in addressing Member State needs (see also effectiveness, section 3.1). While information exchanges and Eurofisc seem to be the most frequently used cooperation tools in all MSs, the presence of officials in territories of other MSs and VAT cross-border refunds are used to a lesser extent to respond to MSs' needs in combatting VAT fraud.

Looking into the perception of MS tax authorities of specific tools and the extent to which these align with the needs to address VAT problems, three tools emerge as the top ones. Almost all inquired authorities (96%/n=24) see Eurofisc as most aligned with the needs of addressing VAT fraud problems (rating these needs as being aligned to a large or very large extent). This is confirmed by interviews with tax authorities claiming that Eurofisc is a highly relevant tool in achieving operational and specific objectives. MSs indicate

⁸⁰ Feedback collected through interviews with CLOs from Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Hungary, Latvia, Netherlands, Poland, Slovenia, Slovakia, Sweden.

that cooperation within Eurofisc should be further developed. Eurofisc is closely followed by VIES and recapitulative statements (84%/n=21) and eFCA (76%/n=19).

Figure 64 Q20 on whether the different cooperation tools align with the need to address VAT fraud problems



Source: Survey of Member State authorities

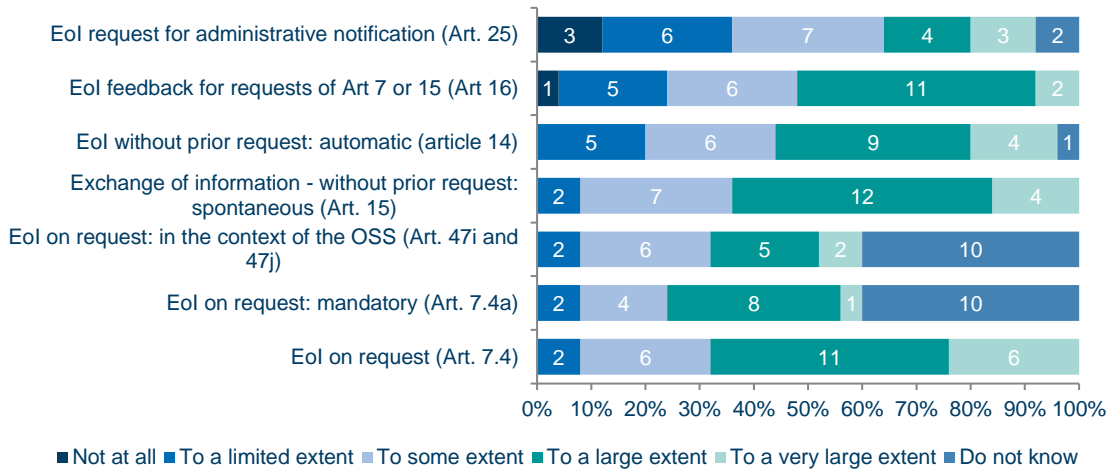
Figure 64 clearly points to the **lack of awareness of OLAF** as a tool, where 18 tax authorities were not in a position to judge to which extent OLAF could address their needs (72%). Some interviewed CLOs pointed out that there seems to be confusion about the role of OLAF as it is not always clear to them clear how this information exchange can be used. While OLAF makes use of the information provided by tax administrations, it does not impose criminal sanctions. One interviewed CLO from a smaller MS pointed out that making use of OLAF as a cooperation tool is challenging, given that the national tax authority needs to go through the CLO and the liaison officer at Eurofisc before reaching OLAF. Additionally, as Article 49 states that "MSs may communicate to OLAF" without imposing obligations to do so, MSs may not always be very inclined to involve OLAF.

Views are split on cooperation with customs authorities, where seven authorities (28%) state this tool is aligned with their needs, while 5 (20%) are not able to provide their view. This split is correlated to the institutional set-up of administrations, with those administrations where customs and taxation appear under the same directorate seeming to have better-established lines of communication and a shared data management system, which facilitates cooperation. From the point of view of some interviewed tax administrations, the cooperation with national customs authorities could be further strengthened, as it is important for VAT collection. Specifically, this should be achieved through alignment between customs and tax authorities in terms of access to data needed.

Tax authorities seem to have divergent views on exchanges of information. EoI: request for administrative notification (Art. 25), EoI feedback for requests of Articles 7 or 15 (Art. 16), and EoI without prior request: automatic (Article 14) are tools considered least aligned with the needs to address VAT fraud problems by part of authorities (at least 20% (n=5) or more respondents indicating to a limited extent or not at all)). On the other hand, more than 60% (n=17) of authorities indicated that EoIR (as per Art. 7) helps address VAT fraud problems to a large or very large extent. Figure 65 also indicates a lack of awareness of tools introduced with

the 2018 amendments, where almost 30% (n=10) of respondents to the survey said they did not know to what extent EoI in the context of OSS (Art 47i and 47j) and EoI on request, as reflected in Art 7.4a, addressed the need of fighting VAT fraud.

Figure 65 Q20 on whether the different cooperation tools align with the need to address VAT fraud problems



Source: Survey of Member State authorities

The Regulation lays down rules on the EoI between MSs. Because of costs, efficiency, and speed, it is important that this information is exchanged electronically as much as possible. Certain information requests are repetitive in nature. In addition, the EU has various official languages, and there have been some challenges with translation in the past.⁸¹ Against this backdrop, the use of Standard Forms⁸² in the EoI was introduced to increase the speed of processing these information requests.⁸³ Because it is essential that information is exchanged as soon as possible to fight VAT fraud efficiently and to ensure proper VAT collection.⁸⁴

Box 5 Changing needs affecting the eFCA tool

As of 2013, information was exchanged via electronic forms (e-forms), which consisted of the electronic transmission of XML files. This worked well.⁸⁵ In 2015, ECA reported that exchanges of information made through e-forms were a powerful tool to fight VAT fraud since replies could be used as evidence before the court.⁸⁶ In 2017, the Commission found that e-forms were an efficient way to exchange information.⁸⁷ Soon after, the majority of the MSs agreed on the need to update the standard forms.⁸⁸ In 2018, eFCA replaced the old e-forms. This is a central Web-based application ‘to manage the e-Forms in the context of administrative cooperation in the fields of direct taxation, VAT, and recovery of claims.’ The eFCA was meant to be more user-

⁸¹ Council Regulation (EU) 904/2010 paragraphs 23 and 24; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, p. 5.
⁸² Which are also called: e-forms, electronic Forms Central Application (eFCA) or Standing Committee on Administrative Cooperation (SCAC) request forms.
⁸³ Council Regulation (EU) 904/2010 paragraphs 23 and 24; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, p. 5.
⁸⁴ Idem, p. 5.
⁸⁵ Impact Assessment accompanying the Amendment for a Council Regulation Amending Regulation (EU) 904/2010, SWD(2017) 428 final, p. 119.
⁸⁶ Idem, p. 21.
⁸⁷ Idem, p. 117.
⁸⁸ Idem, p. 136 and 161.

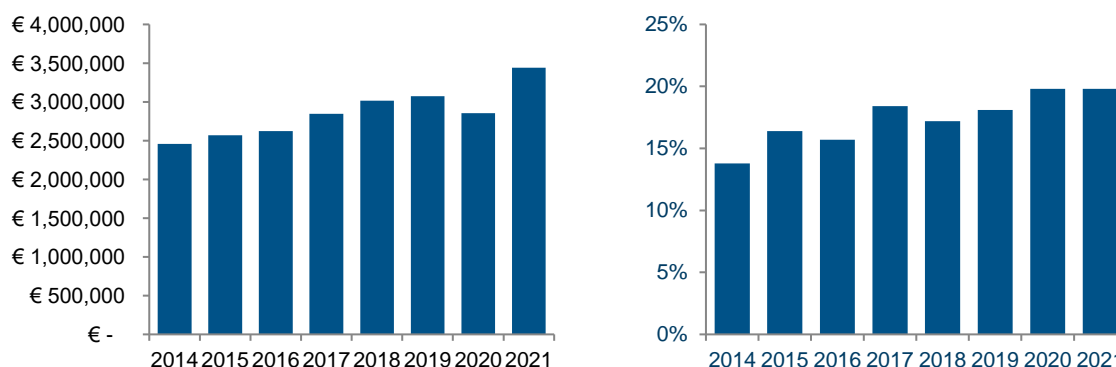
friendly and to bring new functionalities, such as a single homogenous form with predefined questions translated into all official languages and the automatic sending of the e-forms.⁸⁹ Multiple updated and advanced versions of the eFCA were implemented in later years, and on 1 August 2019, the last Member State's administration entered into eFCA operations.⁹⁰

More information on the case can be found in the eFCA case study in Annex VII.

The Regulation allows for the [flexible use of different cooperation tools](#), which enhances their relevance. MSs use different tools at different points of the investigation process. For instance, Eurofisc is used for early warning and early detection, followed by the use of eFCA, which might ultimately result in an MLC. This interaction between tools is highly appreciated by stakeholders and increases their usefulness and, as a result, their relevance.

While the objectives of the Regulation address needs to a large extent, there is room for improvement and consideration of [emerging needs](#). The most commonly mentioned one is the need to address fraud committed as part of the e-commerce trade. As intra-EU cross-border transactions have increased in the period 2014 – 2020 and e-commerce has become more important (see the figures below), the importance of creating a friendly environment for honest taxpayers becomes more pertinent. This is recognised as an emerging need falling within the remit of Regulation (EU) 904/2010.

Figure 66 Total value (€) in intra-EU trade (period 2014 – 2021) and share of companies' annual turnover attributable to e-commerce (EU, period: 2014-2021)



Source: Eurostat – Intra-EU27 trade, total product, the total value of exports; Eurostat – Share of enterprises' turnover on e-commerce

More than 60% of respondents (n=16) believe that Regulation 904/2010 is well-equipped to address upcoming / evolving types of VAT fraud. Tax authorities try to find ways to address evolving new types of VAT fraud by, for instance, trying to move to transaction-based data collection from taxpayers and applying new risk analysis methods as widely as possible (e-invoicing, online cash register). Interviewed authorities also mentioned the importance of educating taxpayers (e.g. information leaflets) and cooperation with other advocacy organisations/associations. Nevertheless, some interviewed tax authorities see the potential to [broaden further the scope of using the results](#) of the Regulation and the cooperation tools. MSs indicate that the Regulation could also contribute to fighting other types of fraud (e.g. related to excise duties or trade-based money laundering (ML) resulting in VAT fraud).

⁸⁹ Idem, p. 116.

⁹⁰ Fiscalis 2020 Programme Progress Report 2019, SWD(2020) 402 final, pp. 20-21.

Regulation (EU) 904/2010 encourages cooperation, which is a key factor contributing to fighting VAT fraud, as it is essential to discover and solve VAT fraud cases. Nevertheless, developing new means of cooperation seems to be needed, specifically relating to automatised manners of data exchange. This would help tackle the issue of a considerable lack of (qualified) personnel and suboptimal capacity (including language barriers), which can be a particular problem in the processing of data. Furthermore, it would help prepare MS' competent authorities to fight [fraud in the digital trade](#) (virtual currencies and other crypto assets, NFTs, etc.), as well as the future metaverse and VAT-related issues.

In addition to this, MSs call for more opportunities for tax authority officials to communicate directly with officials from other MSs as (informal) bilateral exchanges are seen as the most efficient way to obtain information and respond to the MS' needs. The fact that cooperation lies at the heart of the functioning of Regulation (EU) 904/2010 is also seen through the use of the OSS system, which implies a very high level of trust between the MSs⁹¹. The MS of consumption has to trust that the MS of identification will take all necessary measures to ensure the correct payment of VAT, which may include assistance in auditing the taxable persons.

Amendments to the Regulation

The 2018 amendments were welcomed and assessed positively by the MSs, as they allowed the streamlining of access to information. For instance, MSs point out that having a centralised tax database with data from all MSs would be useful for tax audit purposes. In this regard, the VAT for the digital age will change VIES and will be beneficial to automate information and help minimise delays (new VIES).

While the 2018 amendments are seen favourably, their implementation remains challenging, as although there is sufficient knowledge and awareness at the central level in MSs, this has not yet fully reached local authorities (in some cases, due to language barriers). Larger MSs claim some time is needed before this knowledge will be shared effectively with officials in tax authorities at the local levels. Furthermore, stakeholders stressed that, in general, any amendment made to Regulation (EU) 904/2010 has to be very specific so that it is clear which tool can be used in which situation.

3.3.2 EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social, and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the EPPO and anti-money laundering authorities?

Regulation (EU) 904/2010 provides [sufficient mechanisms](#) for MSs to be able to respond to technological, scientific, social, and legal developments in the field of VAT fraud. Nevertheless, these mechanisms do not always allow for a quick response to developments.

Since the establishment of the Regulation in 2010, there have been several amendments - the most recent ones including amendments by 2018/1541 and 2018/1909. Furthermore, from 2024, the changes introduced by Council Regulation (EU) 2020/283 as regards measures to strengthen administrative cooperation in order

⁹¹ European Parliament (2018) VAT Fraud: Economic impact, challenges, and policy issues.

to combat VAT fraud will provide tax authorities with another instrument to detect possible VAT fraud in e-commerce by sellers established in another Member State or in a non-EU country: CESOP⁹².

The possibility for Member States to create new working fields within Eurofisc without the need to change the Regulation or introduce new cooperation tools is [an example of its flexibility](#).

The CESOP (formally as of 2024) responds to technological requirements/developments. This will help the rising needs of MSs, who indicated that they have recently been facing new types of VAT fraud, specifically in the field of e-commerce (i.e. selling of goods through platforms), which was propagated during the COVID-19 pandemic. E-commerce and the decentralisation of transactions have been growing over the years and are expected to keep growing in the future, thus posing a challenge for all MSs. New corporate structures and new markets (e.g. cryptocurrencies), as well as their global dimension, make the processing of the data and cooperation with other bodies more complex but also more necessary. Detailed transaction-based reporting and analysis are needed more than ever. MSs also highlighted that MTIC fraud continues to be one of the biggest challenges for the future. While CESOP is seen as a big step forward, cooperation with third countries, and certain payments, like prepaid cards and crypto assets, remain to limit factors.

Addressing these fraud types requires consideration regarding the type of information exchanges that are needed to address such fraud. Better technological tools for sharing information and analysing large chunks of information would help tax authorities stay vigilant in fighting VAT fraud. Adapting the tools to allow for the use of results in combating other types of fraud would be seen favourably by MS tax authorities. For instance, the use of information obtained through information exchanges could be useful in fighting money-laundering (ML). However, approval of a given MS must be given for the use of information for such purposes. Oftentimes, it is unclear who should provide such approval (lack of procedure).

While overall cooperation tools under the Regulation provide mechanisms for responding to emerging trends in fraud, the roles of Eurofisc and the EPPO and the extent to which these frameworks may cooperate should be more prominent in this regard. In the context of Eurofisc, cooperation with the EPPO and AML authorities is not currently foreseen by the existing provisions. Amendments in the Regulation could help establish this cooperation, which would allow for further exploitation of the results of Regulation (EU) 904/2010.

Establishing systematic cooperation mechanisms is seen favourably by interviewed tax authorities. Examples include the cooperation between Europol and OLAF through automated cross-checking of information in TNA. Additionally, interviewed Member States see value in the introduction of a rule allowing periodic reporting of information by Eurofisc to the EPPO.

Box 6 Role of the EPPO

MTIC frauds with damages above EUR 10 million that involve at least two MSs can be prosecuted by the EPPO. As a European institution, the EPPO is in a favourable position to prosecute intra-European, cross-border VAT fraud. Starting its work in June 2021, EPPO managed to open 5,776 investigations associated with a damage of EUR 2.5 billion resulting in the seizure of assets worth EUR 147.3 million in the first six months of its operation alone.⁹³ Between October and December 2022, it revealed the largest MTIC fraud ever detected.

⁹² It should be highlighted that CESOP is outside of the evaluation's scope. However, it could be used as a good example on how to jump from a scheme based on the automatic exchange of information, to another based on the access of information stored at central level.

⁹³ See: https://www.epppo.europa.eu/sites/default/files/2022-03/EPPO_Annual_Report_2021.pdf

More information on the case can be found in the MTIC case study in Annex VIII.

3.4 Coherence

Coherence looks at the internal consistency of the tools within the Regulation and the consistency of the Regulation with other EU legal acts.

This evaluation criterion addresses the following evaluation questions:

- EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?
- EQ9: To what extent is the Regulation coherent with other EU legal acts with similar objectives (external)?

3.4.1 EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?

The tools of the Regulation address different aspects of VAT fraud. As shown below, [the cooperation tools under the Regulation share some characteristics, but they have different purposes](#). As shown in the effectiveness section, Eurofisc is highly appreciated by MSs. Given the ease and timeliness of EoI through Eurofisc, a decline is observed in using EoI under Article 7. Consulted MSs do not view this negatively, as they can use requests for information after having explored with other MSs through Eurofisc. According to interviewed authorities, Eurofisc is generally used as a first step for EoI and improves the quality of bilateral EoIs on request and eFCA. This highlights [the complementarity of Eurofisc with other cooperation tools](#). The table below shows the tools of the Regulation assessed as part of this evaluation. To display the characteristics of those tools, they have been divided into categories on the nature of those tools. The aim of this table is to show how the tools or parts of the tools are used by public authorities. The different characteristics are needed for human resources, electronic system(s), tax control tool(s), and specific scope of the tool(s), including mandatory EoI and informal EoI.

Table 4.1 Characteristics of the cooperation tools under the Regulation

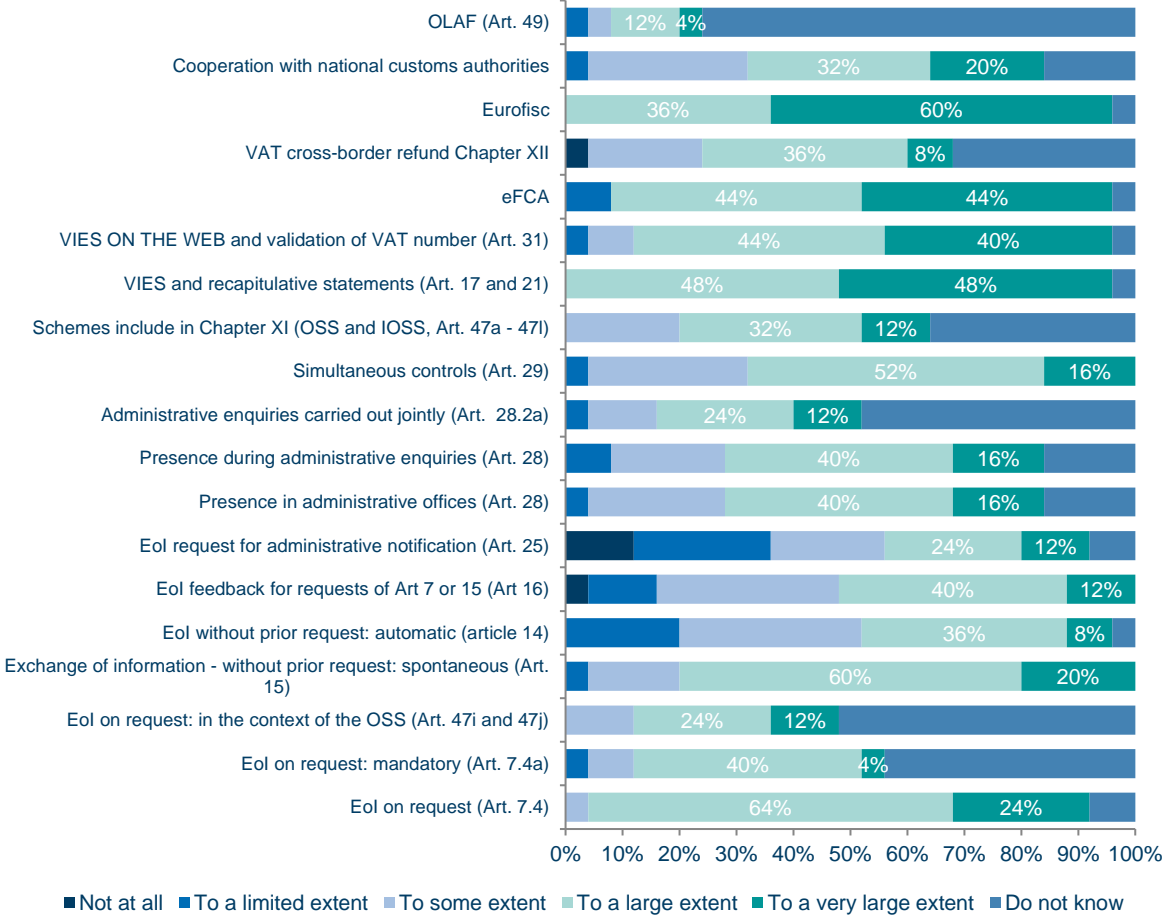
Characteristics of tools	Cooperation tools
Need for human resources	Tool 1: EoI Tool 2: Presence of officials in the territory of another Member State for administrative enquiries Tool 3: Simultaneous checks Tool 8: Eurofisc – facilitation through Liaison officers and experts in working fields Tool 9: Cooperation with national customs authorities Tool 10: OLAF
Electronic system	Tool 4: Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS) Tool 5: VIES Tool 6: eFCA Tool 7: VAT cross-border refund Tool 8: Eurofisc – TNA Tool 9: Cooperation with national customs authorities - access to Customs Database (Surveillance)

Characteristics of tools	Cooperation tools
Tax control tool	Tool 2: Presence of officials in the territory of another Member State for administrative enquiries Tool 3: Simultaneous controls
The specific scope of the tool	Tool 4: Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS) – related to e-commerce Tool 8: Eurofisc – operational working fields Tool 5: VIES – VAT registrations Tool 1: Request for administrative notification
Includes mandatory Eol	Tool 1: Eol
Informal Eol before using formal ways	Tool 8: Eurofisc

In the table above, it can be seen that the [tools of the Regulation combine human resources with electronic systems](#). Tool 8 Eurofisc most prominently combines an electronic system (TNA) with human resources (including a liaison officer and working field experts) and also is widely used to exchange information informally. The table further shows that the tools have various objectives and characteristics. Tool 1 can be used to mandate the exchange of information with a general scope. Tool 1 also includes the request for administrative notification with the specific scope to send a document to a taxpayer in another MS. Tools 2 and 3 can be used to coordinate checks on a taxable person. Tool 2 is meant to increase the effectiveness of Tool 3, complementing it. Tool 4 is a newer tool with the specific scope to be up to date with the changes that have come with the ongoing digital transition of the economy. Tool 5 VIES is a tool facilitating Eol on VAT registration data and recapitulative statements between MSs' administrations. When it comes to VIES on the Web, it provides certainty to cross-border economic operators; Tool 7 facilitates the refunding of VAT across borders electronically, providing MSs with a clear procedure. Tool 9 ensures that VAT fraud related to customs is detected by improved coordination between tax and customs authorities. Finally, tool 10 provides the basis for cooperation with OLAF to ensure the protection of the financial interests of the Union.

In the figure below on the extent to which the different cooperation tools work well together or not in the fight against VAT fraud, [MSs have reported most positively about Eurofisc](#) (60% responding to a very large extent), [VIES and recapitulative statements](#) (96% responding to at a large or very large extent) eFCA and EoIR (both 88% responding to at a large or very large extent). Requests for administrative notification have been identified as the least coherent tool working well with other tools, not at all, according to 12% and, to a limited extent, according to 24% when it comes to fighting VAT fraud. This does not suggest that this tool is incoherent with the other tools, as it is a tool aimed at helping administrative cooperation between tax administration and facilitating communication with taxpayers rather than fighting tax fraud. It is also interesting to observe that 76% of surveyed MSs do not know how well cooperation with OLAF works together with other tools. This inability to assess this appears to indicate that is a lack of cooperation with OLAF and MSs.

Figure 67 Extent to which the different cooperation tools work well together or not in the fight against VAT fraud



Consulted stakeholders, in particular **tax administrations**, generally do not think that the cooperation tools under Regulation 904/2010 overlap. Sometimes there is confusion about which tool to use, but consulted authorities regard this as an internal problem, not as one at the level of the Regulation. The variety of cooperation tools is helpful to MSs. They need expertise and experience to choose a tool, which depends on the specific context and moment. The Regulation provides them with instruments that they can use when they need them. The table below also shows that the specific scope of some tools allows MSs to use them in specific situations. When national authorities are not successful in retrieving information voluntarily through Eurofisc, they can make a request for Eol pursuant to Article 7. One consulted MS reported that different tools deliver fragments or different types of information. This does not necessarily constitute a problem because sometimes only specific information is needed. If the MS knows which information is needed and knows which tool can deliver this in a fast and reliable way, the tools sufficiently satisfy needs. Several consulted MSs highlighted the fact that some tools, like Eol on request and eFCA, are currently being used less than before. However, this does not mean that they are redundant. In contrast, Eurofisc makes Eol on request, MLCs, and PAOEs more effective. More general information is more rapidly exchanged through Eurofisc. The combination of several tools allows MSs for efficient organisation of their work.

While most consulted MSs reported internal coherence of the tools under the Regulation, one consulted public authority noted that within Eurofisc, the follow-up mechanisms have some overlap (similar forms as the forms

for mandatory EoI). They are very similar to how MSs already exchanged information. Also, an overlap between simultaneous controls and follow-up actions in Eurofisc has been mentioned. However, a follow-up action in Eurofisc could also end up in simultaneous controls showing that the two tools have different purposes and can be combined. In particular, the Regulation mentions coordinated activities. In addition, there is [the risk of overlap due to different understandings of Eurofisc](#). According to an interviewee, the interpretation of the rules is different in the MSs. So far, some authorities are of the opinion that everything can be exchanged in Eurofisc. Others are of the opinion that information can be provided in a narrow scope, in particular only in single cases through Eurofisc.

Coherence of the tools introduced with the 2018 amendment of the Regulation made by Council Regulation 2018/1541 with more established tools was difficult to judge for MSs. There is limited experience as they were facing technical issues that needed to be solved, and due to the pandemic, the new tools were only starting to be used across MSs late in 2021. According to interviewed tax administrations, with the new Regulation, a new system with many technical functionalities has been introduced, which put many resources into the technical departments of tax administrations in order for the system to work properly to make full use of them (e.g. the new articles linked to e-commerce package and dedicated CCN mailboxes).

3.4.2 EQ9: To what extent is the Regulation coherent with other EU Regulations with similar objectives (external)?

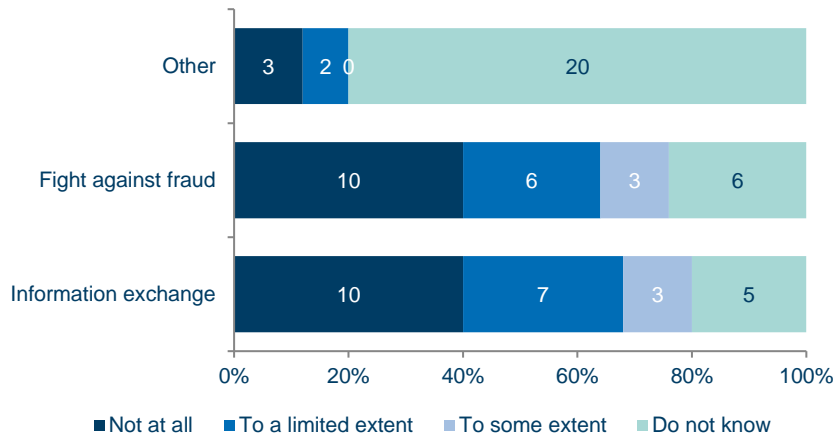
Regulation (EU) No 904/2010 is the [core piece of legislation for administrative cooperation and the fight against fraud in the field of VAT](#). Administrative cooperation is essential for the smooth functioning of the EU VAT area, itself a key pillar of the single market. Administrative cooperation, as such, is an essential component of the free movement of goods and services, which is part of the four freedoms enshrined in the EU. Other forms of cooperation between MSs also demonstrate the need to use the EU level as a reference platform for discussing and developing administrative cooperation in the field of VAT. The common VAT rules have been accepted by MSs because they have been supported by mutual, binding, and evolving rules on administrative cooperation.

The advantage of the Regulation is that it has a limited focus on administrative cooperation in the field of VAT, and the regulation is being used by different departments within MS tax administrations. No other Regulation regulates this aspect in the EU. The clarity of the Regulation could be observed when consulting with stakeholders as they all could report on the different aspects of the Regulation in a detailed manner. There was no confusion about the cooperation tools with other Regulations.

Therefore, in this assessment, [the Regulation is aligned with other EU legal acts](#), such as administrative assistance in the area of direct taxation (Directive 2011/16/EU). According to interviewees, the Regulation is complementary to other tools such as the ones on ML and other policies on the EU level (the Directive (EU) 2019/1153 on the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences and exchange of financial information and the proposed Directive on the fight against shell companies). Directive (EU) 2019/1153 lays down the fundamentals for collaboration with FIUs, which is essential in this matter because FIUs are able to detect fraud faster than the tax authorities. They follow the main objectives of improving cooperation between law enforcement authorities and finding new ways to tackle the most serious threats to tax revenues.

Our assessment is confirmed by respondents to the survey of MS authorities. 40% of MSs reported that the Regulation does not overlap at all with other EU Regulations in the field of the fight against fraud and information exchange. None of the respondents reported that the Regulation overlaps to a large or very large extent.

Figure 68 Extent to which the Regulation overlaps other EU Regulation



Source: Survey of Member State authorities

Regulation 904/2010 does not mention the EPPO, as EPPO started in June 2021. EPPO is very active in serious VAT crime investigations. However, the EPPO, according to Art. 22(1) of Council Regulation (EU) 2017/1939 is competent if the offence is linked to the territory of two or more MSs and involves a total damage of at least EUR 10 million to protect the Union’s financial interests. The missing link between Regulation 904/2010 and the EPPO leads to a lack of legal clarity on how the EPPO interacts, coordinates, and shares information with national public administrations to detect and fight VAT fraud at the EU level. In Regulation 904/2010, there is no legal basis for interaction between Eurofisc and EPPO. Pursuant to Article 24 of Council Regulation (EU) 2017/1939, authorities of MSs competent under applicable national law shall, without undue delay, report to the EPPO any criminal conduct in respect of which it could exercise its competence. This article also establishes this reporting obligation to the institutions, bodies, offices, and agencies of the Union. The lack of cooperation between Eurofisc and the EPPO is due to the fact that Eurofisc itself is a network between national authorities to react quickly to fraudsters, not an institution, body, office, or agency of the Union. For the moment, the only link with the EPPO is done through national authorities competent in the crime field. In addition, according to Art. 22(4) of Regulation 2017/1939, “the EPPO shall not be competent for criminal offences in respect of national direct taxes including offences inextricably linked thereto.” Hence, there is a potential incoherence with Regulation 2017/1939 and the objective to detect and fight VAT fraud in the EU underlying Regulation 904/2010, as Art 22(4) can be read that the EPPO is not able to investigate and prosecute VAT offences when they are inextricably linked to direct tax offences.

The cooperation tools included in the Regulation help tax administration to exchange information, assess risks, and carry out control actions. This information, risk analysis systems and actions are valuable to fighting VAT fraud from the point of view of the tax administration. The Regulation does not have an explicit objective to address VAT crimes directly. However, there are the following connections between both fields: VAT fraud and VAT crimes:

- Administrative investigations, using tools included in the Regulation, may pass the information obtained to law enforcement bodies once it is detected that fraud goes beyond VAT fraud and is a suspected VAT crime (the criteria to define the distinction between administrative VAT fraud and VAT crime are the existence of a cross-border/ international dimension, the seriousness of the fraud, the involvement of criminal organisations, etc.). Then it can be prosecuted by national prosecutors or by the EPPO if the VAT crime involves more than two MSs and the potential impact is over EUR 10 million.
- Information, risk analysis, and control actions obtained through the tools included in the Regulation can be useful for fighting VAT crime. In this sense, the Regulation may indirectly contribute to improving the prosecution of VAT crimes.

Despite some differences, [the Regulation is coherent with Council Directive 2011/16/EU on administrative cooperation in the field of taxation and with similar provisions in the field of VAT](#). The differences in having access to different types of information (e.g. beneficial ownership information, country-to-country reports of multinational organisations) stem from the goal of Directive 2011/16 to fight tax evasion and tax avoidance in the field of direct taxation. The two legal acts share the same objectives (smooth functioning of the internal market, protection of tax revenues and fight against tax fraud, contribution to the fairness of the tax system), the institutional framework (in 14 MSs, the CLO is responsible for administrative cooperation in both direct taxation and VAT) and the information communication system (CCN). The tools made available to national tax authorities by the two legal acts are also similar (exchange on request, without prior request, automatic exchange, etc.). The table below summarises EU national legislation comparing their objectives and clarifying their differences as well as how they complement each other.

Table 3.3.12 Coherence of Regulation 904/2010 with other EU legislation

Other relevant EU policies	Objectives	Differences compared to Regulation 904/2010	Complementarity to Regulation 904/2010
Directive (EU) 2019/1153 on the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences and the exchange of financial information	Aims to combat ML, terrorist financing and other serious offences	Cooperation between law enforcement, financial intelligence units and Europol	Different focus on ML, terrorist financing and other serious offences
Council Directive 2011/16/EU on administrative cooperation in the field of taxation	Establishes a system for secure administrative cooperation between the national tax authorities of the EU MSs and lays down the rules and procedures for exchanging information for tax purposes	Applies mainly to direct taxation. Reporting obligations of digital platforms are included. Access to beneficial ownership information and country-by-country reports of multinational groups	Preventing tax evasion and avoidance

Other relevant EU policies	Objectives	Differences compared to Regulation 904/2010	Complementarity to Regulation 904/2010
Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and the free movement of such data.	The general data protection regulation (GDPR) protects individuals when their data is being processed by the private sector and most of the public sector. It also modernises and unifies rules, allowing businesses to reduce red tape and benefit from greater consumer trust.	Not regulating the cooperation between MSs but protecting individuals' data.	Data can be processed for fraud and tax evasion monitoring and prevention purposes.
Regulation (EU) 2021/785 of the European Parliament and of the Council of 29 April 2021 establishing the Union Anti-Fraud Programme.	Establishing the EU anti-fraud programme. This runs for the duration of the 2021-2027 multiannual financial framework. It sets out the programme's objectives, level, forms and rules of interventions and funding.	Cooperation between MS authorities in tax matters is not regulated, but assistance and cooperation between national administrative authorities and the European Commission in applying customs and agricultural legislation.	Strategic document on how the EU is fighting fraud. Mutual administrative assistance on customs and agricultural issues does not overlap with MSs' cooperation on VAT.
Regulation (EU, Euratom) No 883/2013 concerning investigations conducted by OLAF.	Fighting fraud, corruption and any illegal activity which could harm the EU's financial interests.	Only applicable to VAT when the Union's financial interests are harmed. Does not set out MSs' cooperation but the working structure of an EU body.	Conducting investigations in cooperation with the EPPO on the EU level, which regulation 904/2010 does not provide for.
Council Regulation (EU) 2017/1939 implementing enhanced cooperation on the establishment of EPPO.	Protecting the Union's financial interests through criminal law.	Only applicable to VAT when the Union's financial interests are harmed. It sets out an efficient judicial cooperation mechanism between participating MSs, as well as the structure of the Prosecution office.	Investigation and prosecution of VAT offences complementary to Eol on VAT and VAT fraud. However, no direct link to EPPO in Regulation 904/2010.
Council Directive 2010/24/EU concerning mutual assistance for the recovery of claims relating to taxes, duties, and other measures.	Aiming to combat tax evasion by ensuring that EU countries work more closely together (they must provide assistance) with regard to the recovery of claims relating to taxes, duties and related measures levied in another EU country.	Focus on administrative cooperation. Includes recovery procedures.	Fighting tax evasion by ensuring cooperation between EU MSs.

Other relevant EU policies	Objectives	Differences compared to Regulation 904/2010	Complementarity to Regulation 904/2010
Council Regulation (EU) No 389/2012 on administrative cooperation in the field of excise duties.	Establishes conditions for cooperation between national authorities and the European Commission when applying excise duty legislation. Rules and procedures on cooperation and information exchange, electronically or otherwise, between national authorities are regulated.	Applies to excise duties, not VAT; electronic database containing registers with detailed information on economic operators and premises authorised as tax warehouses.	The regulation speeds up the collection of excise duties and improves national controls on the revenue generated.
Agreement between the European Union and the Kingdom of Norway on administrative cooperation, combating fraud and recovery of claims in the field of value-added tax.	Establishes administrative cooperation between the EU and Norway to ensure compliance with value-added tax (VAT) legislation in their two jurisdictions and to protect each signatory's VAT revenue.	Administrative cooperation in the field of VAT between EU MSs and third countries.	Cooperation is broader than just within the EU.
Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community of the one part, and the United Kingdom of Great Britain and Northern Ireland of the other part.	The decisions cover the signing and application of the free trade agreement between the United Kingdom and the EU and its Member States, including a protocol on administrative cooperation and combating fraud in the field of value-added tax and for mutual assistance for the recovery of claims related to tax and duties.	Administrative cooperation in the field of VAT between EU MSs and third countries.	Cooperation is broader than just within the EU.
Council Regulation (EC) No 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs	Administrative authorities responsible for the implementation of the legislation on customs and agricultural matters in the Member States shall cooperate with each other and with the Commission.	Only applicable to customs and agricultural matters.	Exchange of information between customs authorities. The exchange of information between tax and customs administration is dealt with at the national level. Tax authorities exchange on CP42 under Eurofisc.

Other relevant EU policies	Objectives	Differences compared to Regulation 904/2010	Complementarity to Regulation 904/2010
and agricultural matters.			

3.5 EU added value

EU added value looks at if and to what extent legislation at the EU level is advantageous to legislation on the national level.

This evaluation criterion addresses the following evaluation questions:

- EQ10: Is there additional value resulting from the Regulation compared to what could be achieved at the national level?
- EQ11: To what extent do the issues addressed by the Regulation continue to require action at the EU level?
- EQ12: What would be the most likely consequences of terminating or withdrawing the Regulation?

3.5.1 EQ10: Is there additional value resulting from the Regulation compared to what could be achieved at the national level?

The Regulation provides the legal framework on how MSs work together and share information on VAT and combat VAT fraud. Fight against VAT fraud is a cross-border activity which relies on EoI across borders. According to a 2018 European Parliament study on VAT fraud,⁹⁴ MTIC/carousel fraud is the most damaging type of cross-border VAT fraud (EUR 50 billion in losses on average per year). According to the study, it is essential that the MSs take action to control the damage by cooperating and exchanging information. Criminal organisations are exploiting the EU market, and there is no clear picture of the extent of VAT fraud, and the problem is likely to be underestimated. [Local approaches would not solve the issue of VAT fraud, according to several interviewed MSs](#). Due to the free movement of persons and goods within the EU, international cooperation is crucial to efficiently monitor the VAT regimes.

It is highly appreciated in MSs to have all the cooperation tools because, on an international level, one cannot verify all the information by oneself. [According to the survey, 60% of MSs report that the Regulation contributes to a large extent to delivering results that otherwise could not be achieved on the national level](#), while 32% report that the Regulation contributes to some extent and 8% responded that the Regulation contributes to a limited extent. There is a need to cooperate with other MSs, according to interviewed stakeholders, and the Regulation provides the right framework for this. One MS noted that results achieved with the help of the Regulation would also be achieved at the national level but at a higher cost. For instance, databases that automatised national-level action contributed to lowering the cost. Another MS remarked that the same result could never have been achieved at the national level. Especially not with the internal market and the current VAT Directive. MSs appreciate the contact facilitated through the Regulation with other MSs to act fast, in particular through Eurofisc. Information received via the Eurofisc network provides MSs with other MS tax authorities' internal evaluation of a company which is not publicly available otherwise, as information

⁹⁴ See: <https://www.europarl.europa.eu/committees/en/study-on-vat-fraud-economic-impact-chall/product-details/20181003EOT03081>

available on the internet and various public databases do not include tax administrations' internal knowledge of taxpayer's behaviour. Additionally, Eurofisc is the network of experts specialised in the fight against VAT fraud, which allows for EoI, experience and knowledge through common workshops and meetings, as well as the faster exchange of necessary information. In addition, according to an interviewee, the OSS simplifies tax collection to a certain extent. MSs overall are convinced that the results of the fight against cross-border VAT fraud are better solved through cooperation among MSs, as well as cooperating with OLAF and Europol.

Given the specificities of the VAT legislation on intra-Community trade in goods and services — reverse charge, a large number of special schemes, specific requirements for the declaration of supplies and evidence of supplies, as well as the international context of intra-Community trade, the Regulation has an irrevocable and irreplaceable role in creating conditions and opportunities for revenue administrations to exercise effective tax control over these transactions. Last but not least, the Regulation, through its cooperation instruments, is crucial for achieving an effective fight against VAT fraud in intra-Community trade.

According to a 2017 impact assessment accompanying a proposal to amend Regulation (EU), No 904/2010 as regards measures to strengthen administrative cooperation in the field of VAT, improving the efficiency of the tools of cooperation, in particular strengthening Eurofisc and establishing new ways of cooperation and new exchanges of tax information between tax authorities and with other law enforcement bodies would offer value over and above what could be achieved at Member State level.

With regard to specific tools, according to a 2017 impact assessment on Amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in the field of VAT, MSs generally find the data shared through VIES system useful, mentioning that such data on the EU level is necessary to guarantee the correct application of VAT exemption in intra-EU supplies, to identify potential VAT risks, to minimise the number of information requests and to make those requests more targeted.

3.5.2 EQ11: To what extent do the issues addressed by the Regulation continue to require action at the EU level?

All respondents to the survey reported that the issues addressed by the Regulation should continue to be addressed at the EU level. There are upcoming issues that are not yet addressed by the Regulation, which require action at the EU level. The Regulation, for instance, is not equipped to address new forms of fraud. Fraud is rapidly moving to services and forms of intangible goods. There are no indicators to detect this (e.g. NFTs). Fraud happens mostly in the form of investments. It is impossible to get information from a lot of payment services outside of the EU. The main challenge here is for the EU to cooperate with the rest of the world. However, as mentioned in Table 3.3.13, international VAT cooperation agreements between the EU and third countries (e.g. Norway and the United Kingdom) are in place. Currently, there is no control over this matter. The platform economy poses another challenge as there are many parties involved, and there are different payment options. This concerns all of the EU and is a big and growing problem. In some countries, one can obtain an e-residency in a country, and this allows for fraud, which is currently not addressed by the Regulation.

Consulted MSs reported that the timeliness of information is crucial. It is important to improve and increase the ability to react to VAT fraud. Speed is important to collaborate more closely with the prosecution to ensure cases are followed up on by the judiciary. There are cases in which tax administrations have to wait a long

time to receive the information following a request for information. Access to real-time data was seen as highly beneficial by many MSs as the best way to address VAT fraud. Action at the EU level to make this a reality would be appreciated by MSs.

MSs should cooperate with OLAF for any anti-fraud measures, according to an interviewee. An outstanding issue of the current Regulation is that cooperation between Eurofisc and OLAF is voluntary, according to an interviewed stakeholder. This weakens any anti-fraud activity. Possibly, the adoption of a formal procedure for information exchange between OLAF and Eurofisc could help. An interviewed MS representative expressed the need to review Article 36 (3-5) as they do not lead to the desired cooperation so far.

In addition, the current model of cooperation with Europol is time and resource-consuming and does not provide MSs with new and useful data, according to several MSs. Due to a procedural gap, Europol cannot use Eurofisc data. The reason is that Europol can only do this after all MSs accept that this information is shared. There is a willingness in some MSs to exchange more information with Europol, and they are seeking more concrete cooperation on VAT fraud.

Consulted MSs shared various observations and potential improvements related to Eurofisc:

- The creation of Eurofisc enabled MSs to exchange information related to VAT fraud in an easier and quicker way. This EoI facilitates the detection and prevention of fraudulent cross-border activities, such as MTIC fraud and Customs Procedure 42 abuse.
- The TNA tool can be connected to some other existing databases. It also requires the alignment of whether and how information is stored in the databases before they can be linked (e.g. linking TNA to CESOP while respecting data-protection rules).
- MSs reported a need for the establishment of an operational team that is ready for the coordination of follow-up actions after cases of potential VAT fraud have been identified. A potential solution is the creation of a transversal operation team that performs the core coordination of operational tasks (this idea is currently being developed within Eurofisc).
- The Eurofisc Advisory Board should put more responsibilities in the hand of the VAT experts.
- With regard to the functioning of AIAC and Eurofisc, ideally, Eurofisc would initiate an early warning based on which AIAC can act.
- Appoint a single contact person for the EU bodies (EPPO, Europol, OLAF)⁹⁵

The levels of the VAT gap in the EU called for action in 2016 on three fronts, according to the European Commission: achieving better administrative cooperation, improving voluntary compliance, and collectively improving the performance of European tax administrations. In addition, the boom in e-commerce required a new approach to tax collection.⁹⁶

According to a 2018 European Parliament study on VAT fraud, the total number of annual communications (new requests and follow-up of existing requests) between requesting and requested authorities in all MSs is increasing. The study found that all MSs but one confirmed that the current recovery assistance directive made it easier for them to provide and receive mutual recovery assistance compared to the situation under the

⁹⁵ Eurofisc has already created a Single Point Of Contact regarding EU bodies, in particular regarding Europol and OLAF.

⁹⁶ European Commission (2016), Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT Towards a single EU VAT area—Time to decide, COM(2016) 148 final, pp. 1–14.

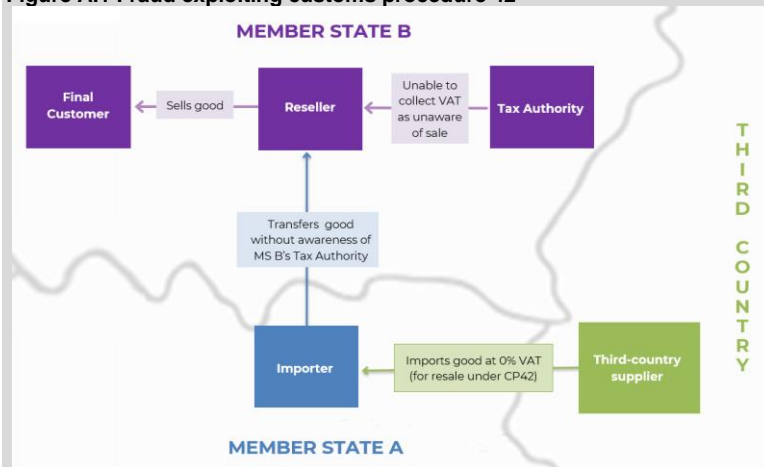
previous legal framework (the use of electronic forms is identified as a major asset). This shows that improvement on the legislative side can lead to more administrative cooperation.

According to a 2017 impact assessment on Amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in the field of VAT, cooperation with customs is of growing importance. Some MSs mention that VAT fraud often involves transactions across the external border, making information exchange with customs important. A majority of MSs seem to exchange VAT-relevant information with customs and would like to have access to data on importations using Customs Procedure 42. As such, there is room for future EU legislation linking tax and customs administrations. Access to CP42 data from surveillance was granted to tax officials in Regulation (EU) 2018/1541.

Box 7 Explanation on VAT fraud exploiting CP42

The figure below shows a stylised version of VAT fraud exploiting CP42. A third-country supplier sells a good to an importer in MS 1. The good is declared to be resold by a taxable person in MS 2 under CP42 and therefore exempted from VAT in MS 1. The importer located in MS 1 transfers the good to a reseller in MS 2, who sells the goods to a final customer in MS 2. Instead of transferring the VAT applied to this sale to MS 2’s tax authority as prescribed, the reseller and importer either pocket the VAT for themselves and collaborating fraudsters (including the third-country supplier) or offer the good effectively “VAT free” at a very low price, undermining fair competition in the single market. The fraud scheme is often combined with MTIC fraud.

Figure A.1 Fraud exploiting customs procedure 42



Source: own elaboration

More information on the case can be found in the CP42 case study in Annex IV.

The introduction of the TNA is part of an integrated EU-wide policy and strategy for investigating and combatting VAT fraud. According to a 2021 European Parliament study on the VAT gap, it is important to move away from the old and ineffective approach that often saw the individual authorities of MSs acting autonomously, independently and even more seriously, without involving all the MSs concerned.

However, according to a 2017 impact assessment on Amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in the field of VAT, there is no exchange of VAT information and intelligence on organised crime structures involved in serious VAT fraud and coordination of

actions between tax administrations and Eurofisc and law enforcement authorities at EU level such as Europol and OLAF. A systematic cross-checking of information on missing traders between Eurofisc and Europol databases on organised crime groups is also absent. To better fight VAT fraud exchange of VAT information and intelligence on organised crime structures involved in serious VAT fraud and coordination of actions between tax administrations and Eurofisc, as well as EU bodies fighting fraud such as Europol and OLAF, could be beneficial by allowing access to the respective relevant data basis identifying fraudsters in organised crime groups. This could be improved by an EU legislative initiative.

3.5.3 EQ12: *What would be the most likely consequences of terminating or withdrawing the Regulation?*

In the view of the evaluators, [the most likely consequence of terminating or withdrawing the Regulation would be a lack of information within MSs about cross-border fraud](#). This would likely end up in a large decrease in tax revenue for MSs and higher costs for tax administrations to receive information on VAT and investigate cross-border VAT fraud. MS administrations would need to find contact points in other MSs and agree on a case-by-case basis on how information is shared, which could be costly. The Regulation provides essential tools for cooperation, as well as networking and experience-sharing opportunities, according to consulted MS public administrations. It is likely that a voluntary network would be founded to replace activities in Eurofisc, given that the network is highly valued by MSs and establishes a clear contact in MSs. It is questionable if a voluntary network with the possible exclusion of some MSs while missing the legal obligations and tools provided in the Regulation will be effective in fighting VAT fraud in the EU. Given that fraudsters exploit the digital transformation successfully,⁹⁷ there is a need for tax administrations to increase information and ideally use real-time data (used in a limited number of MSs) on VAT information to detect fraud. When it comes to cross-border VAT fraud, a lack of information will give an additional advantage to criminals engaging in VAT fraud.

⁹⁷ Herbain, C. A., 'EU policy forum: Fighting VAT Fraud and Enhancing VAT Collection in a Digitalized Environment', *Intertax*, 2018, 46(6), pp. 579-583.

4 Conclusions and lessons learnt

The following chapter presents the final conclusions and lessons learnt from this evaluation. The conclusions refer to the final judgements that are drawn from the evaluation of the Regulation, a summary of what has been learned and achieved.

4.1 Overall conclusions

4.1.1 Conclusions on effectiveness

Concerning the [general objectives](#) of the Regulation, this evaluation finds that the toolbox offered to tax authorities leads to closer collaboration between tax authorities, which contributes to fighting VAT administrative fraud, ultimately ensuring that VAT taxes feed into national and EU budgets and thus contribute to fiscal consolidation. While various tools, e.g. VAT Information Exchange System (VIES) on the Web and the One Stop Shop (OSS), facilitate the fulfilment of VAT obligations by taxpayers, the overall focus of the Regulation is creating an unfriendly environment for fraudsters.

More specifically:

- Both data on the VAT gap and VAT tax revenue as a percentage of GDP show positive trends since 2014, which could, inter alia, be linked to improved compliance and enforcement to prevent fraud and evasion. MSs interviewed and surveyed for this evaluation confirm that [EU cooperation to tackle VAT fraud contributed to these positive trends](#), among a series of wider actions taken in the field of taxation. These policies, in their totality, contributed to a better collection of VAT taxes and thus reduced government deficits and, as such, achieved greater fiscal consolidation in line with the objectives of the Regulation.
- At the same time, this evaluation points to the fact that there is limited information available on how much the VAT gap can be attributed to fraud. Nonetheless, qualitative feedback collected in this evaluation confirms that the fight against VAT fraud is linked to the cooperation between MSs supported by the Regulation. [The contribution of EU measures to foster closer collaboration between authorities is seen as a key factor of effectiveness in the fight against VAT fraud and, as such, in line with the objectives of the Regulation.](#)
- Finally, most cooperation tools focus on facilitating collaboration between Member State authorities. Only a few tools (e.g. OSS, VAT refund and VIES on the Web) support predominantly other stakeholders such as businesses. While these tools are perceived by stakeholders as important instruments available to MSs to tackle VAT fraud, they are considered as indirectly contributing to this fight. Consulted tax administrations suggest that the Regulation emphasises the creation of an unfavourable environment for fraudulent taxpayers as opposed to a friendly environment for honest taxpayers.

Concerning the [specific objectives](#) of the Regulation, this evaluation concludes that the cooperation tools mainly [contribute to 1\) better exploiting the existing administrative cooperation instruments and information exchange](#). Overall, stakeholders find it difficult to attribute the contribution of the tools to the objectives, particularly for the goal to 3) improve the multidisciplinary approach to fighting and preventing VAT-related fraud. The specific objective related to 2) more effective and rapid identification and dismantling of fraudulent networks is mostly linked to the ability of the Regulation to speed up the identification and investigation of

cases which leads to faster responses. An in-depth review of the cooperation tools under the Regulation shows that [MSs use the tools and attribute effectiveness to varying degrees](#). The most effective tools are 1) Eol; 2) eFCA; 3) VIES; and 4) Eurofisc. It is not always possible for MSs to make a clear distinction between the tools, and often these are used in combination. Most MSs use all tools within an 'ecosystem' of EU and national tools at their disposal to fight VAT fraud. More specifically:

- *Tool 1: Eol* – Article 7 is with thousands of yearly information requests, a widely used article. It is also seen as the most effective tool. MSs do not need to invoke on a frequent basis the possibility to limit conditions for refusal by requested MSs, which shows that 2018 amended article 7.4(a) is not often used. Further, data shows that [the number of information requests sent by MSs declined between 2014 and 2020](#) (from 49,000 to 31,221). In addition, most requests are concentrated within a limited group of MSs (5), [meaning there is an uneven use across the Union](#). An explanation for this is the reduced need to request information due to increasing interaction within Eurofisc (and TNA) before filing a request for information under article 7. Also, this evaluation finds that a better understanding of the tool has improved the perceived quality of exchanged information. Key factors contributing to the effectiveness of these tools are the timely delivery of information; and the quality of shared information. Linked to this tool is the eFCA, which is seen as a factor helping to facilitate information exchange in an efficient manner.
- *Tool 2: Presence of officials in the territory of another MS for administrative enquiries* – Article 28 is less used by MSs, including 2018 amended article 28.2(a) on administrative enquiries carried out jointly. Data shows [a decreasing trend, partially also influenced by COVID-19 and the continuation of more online meetings](#) (from 200 in 2016 to 147 in 2019). A key factor hindering this tool is the perceived labour-intensive effort against a background of limited resources to tackle VAT fraud. A key factor driving its success is the accuracy of information exchange due to the possibility of interacting directly with peers.
- *Tool 3: Simultaneous control* – Article 29 is used by almost all EU MSs, but to varying degrees. Data shows a partial positive trend in the use of this article (with 120 in 2012 to 173 in 2016/17 and 145 in 2019) in combination with more MSs joining controls. This tool embodies cross-border cooperation in the fight against VAT fraud but risks losing appeal over administrative burden and costliness of implementation.
- *Tool 4: Schemes included in Chapter XI* – The use of Article 47 by MSs is limited when tackling VAT fraud. In fact, the tools are seen as a way to facilitate VAT registration by companies, less so as a tool to assist MSs in their activities. A strength of the tool is the possibility of automatically exchanging information and using this to build a knowledge base and, if needed, launch follow-up requests. This evaluation finds that the OSS and IOSS do contribute to VAT compliance by making rules easier but [less directly influencing the effectiveness of MSs in fighting VAT fraud](#).
- *Tool 5: VIES and recapitulative statements* – Article 17 on VIES and 21 on VIES on the Web are [used extensively](#). VIES is perceived as the gateway to information requests (2.8 billion in 2018 to 6.3 billion in 2022). A strength is the quantity and quality of information available. It is, however, bottle-necked in case MSs do not populate the database consistently. If collected data from the system is not complete, MSs proceed to make information requests. Article 21 on the recapitulative statements is perceived as less effective. MSs identify shortcomings related to completeness of information, timeliness and quality.
- *Tool 6: eFCA* – The use of this tool is closely linked to the Eol between MSs. For this reason, it is a widely used tool and is [seen as effective](#). The tool allows MSs to share information in a standard form and overcome administrative and language barriers. Factors obstructing its use are largely practical, such as limited memory space to attach information.

- *Tool 7: VAT cross-border refund* – This tool is less commonly used and not directly perceived to be effective in tackling VAT fraud. However, it **supports cooperation** between tax administrations and facilitates the fulfilment of VAT obligations by taxpayers.
- *Tool 8: Eurofisc* – This tool is used by all MSs. Its **effectiveness is not only confirmed in the eyes of the surveyed and interviewed stakeholders for this evaluation but also in the increased involvement** of MSs within the different working fields of the network. The working fields of MTIC, e-commerce and customs procedure No 42 are most highly valued by stakeholders. A particularly effective part of Eurofisc is the TNA which allows MSs to analyse data and examine flows of goods, services and funds between entities involved in VAT transactions. A key strength of Eurofisc is the possibility of rapid contact between authorities, as well as its function as an early warning system through direct contact with peers. Also, the possibility to share good practices is valued.
- *Tool 9: Cooperation with national customs authorities* – Most MSs cooperate with national customs authorities to fight VAT fraud but to **varying degrees**. A key limitation is that information exchange cannot easily be automatised due to different systems used on the national level. These tools' strength is the ability to automatically exchange data and grant access to customs data on imports under Customs Procedure 42, as well as aggregated values benefitted from Import OSS (IOSS) scheme.
- *Tool 10: OLAF* – This **tool is rarely used**, with most surveyed stakeholders and interviewees not knowing whether it is used or claiming it is unused. Lack of awareness on the possibility of cooperating with OLAF, as well as existing lines of communication between tax authorities and law enforcement, and the voluntary nature of the Regulation on cooperation with the EU anti-fraud body, limit the value of this tool.

4.1.2 Conclusions on efficiency

This evaluation concludes that determining the efficiency of the Regulation is difficult due to the lack of sufficient data to determine whether available resources and inputs are used in an optimal manner. Tools within the Regulation focus on increasing compliance by businesses, as well as giving (tax) authorities the instruments to increase VAT revenue by tackling fraud. Quantifying this impact is not easy. While one-third of the consulted MSs (n=8) attempt to quantify the effect of the fight against VAT fraud, different ways of measurements are used, which make a comparison or estimating the EU-wide impact difficult.

Both businesses and public administrations carry the burden of complying with the Regulation. The weight of this burden mostly lies with the authorities. However, also here, the MSs are not able to provide costings per tool. An exception is VIES, for which eleven MSs (44%) consulted provided estimated costs. This shows varying degrees of costs ranging from EUR 50 000 to amounts up to EUR 250 000. More widespread information is available about the human resources allocated to administrative cooperation between MSs in tackling VAT fraud. The number of FTEs per Member State ranges from 5 to almost 30, depending to some extent on the size of the country. Other factors influencing the human resources available in MSs are the number of VAT cross-border transactions or businesses trading, different governmental levels involved in taxation and organisational structure. Feedback suggests the close involvement of tax authorities, ministries of finance, customs authorities and (financial) law enforcement agencies. As for businesses, VAT regulations are associated with compliance costs. Nonetheless, generally, it is understood that the societal value of tackling fraud outweighs the costs as it ultimately corrodes trust in the economy. Also, it is understood that it helps create a level playing field and increase competitiveness. At the same time, SMEs are especially sensitive to overregulation resulting in increased compliance costs.

Further, this evaluation finds that [the majority of interviewed and surveyed authorities confirm that the benefits of the tools available under the Regulation outweigh the costs](#). Tools that are [particularly perceived as being cost-efficient are Eurofisc, eFCA, VIES on the Web, VIES, and spontaneous EoI and EoIR](#). Noticeable are the reviews on the EoI feedback for requests, where stakeholders are more withholding on the cost-benefit ratio.

Finally, Fiscalis 2020 is a European cooperation programme that enables national tax administrations to exchange information and expertise. It [offers MSs a framework to develop activities in the area of 1\) cooperation between officials, 2\) information technology and 3\) human capacity building](#). The effectiveness of Fiscalis support in the area of combatting VAT fraud is confirmed through the stakeholder interviews and surveys conducted for this study. More specifically, these three [areas are repeatedly mentioned as key factors influencing the efficiency of implementing the Regulation](#). In particular, MSs confirm that the programme helps to reduce compliance costs, this way [contributing to cost efficiency](#). Most of the costs related to cooperation in the fight against VAT fraud fall per default on account of the Member State, and it is also not expected for the Commission to take up a larger share. The support of the Commission, however, exceeds that of only the Fiscalis programme. When asked about the efficiency and sufficiency of the [support from the Commission given to MSs](#), responses are overall very positive.

[4.1.3 Conclusions on relevance](#)

Overall, the initial objectives of the Regulation and tools identified within still [correspond to the needs of MSs in addressing the root causes of VAT fraud](#). Tax authorities (n=25) believe there are no parts of the Regulation that are no longer relevant for the control of the intra-EU transactions and efficient collection of VAT.

MSs consider that [all administrative cooperation instruments are relevant in addressing the needs](#), although some are to a larger extent than others. While information exchanges and Eurofisc seem to be the most frequently used cooperation tools in all MSs, the presence of officials in territories of other MSs and VAT cross-border refunds are used to a lesser extent to respond to Member State needs in combatting VAT fraud. As mentioned in the analysis of Effectiveness, there is a lack of awareness of OLAF as a tool and tools introduced in with the 2018 amendments - most notably EoI in the context of OSS (Art 47(i) and 47(j)) and EoI on request as reflected in Art 7(4a). While the 2018 amendments are seen favourably, their implementation remains challenged as there is sufficient knowledge and awareness at the central level in MSs, which has not fully reached local authorities (mainly due to language barriers). Larger MSs claim some time is needed before this knowledge will be shared effectively with officials in tax authorities at the local levels.

The Regulation allows for the flexible use of different cooperation tools, which enhances their relevance. MSs use different tools at different points of the investigation process. For instance, Eurofisc is used for early warning and early detection, followed by the use of eFCA, which might ultimately result in an MLC. This interaction between tools is highly appreciated by stakeholders and increases their usefulness and, thereby, relevance.

While the objectives of the Regulation address needs to a large extent, there is room for improvement as concerns emerging needs. The most commonly mentioned one is the need to address fraud committed as part of the e-commerce trade. With the increase of Intra-EU cross-border transactions, there is a need to facilitate VAT compliance of honest taxpayers. The Regulation encourages cooperation, which is a key factor contributing to closer collaboration between tax authorities and fighting VAT administrative fraud, as it is essential to discover and solve VAT fraud cases. Nevertheless, [developing new means of cooperation seems](#)

to be needed, specifically relating to automatised methods of data exchange. This would help tackle the issue of a considerable lack of (qualified) personnel and suboptimal capacity (including language barriers), which can be a particular problem in the processing of data. On the other hand, it would help prepare Member State competent authorities to fight against fraud in the digital trade (virtual currencies and other crypto assets, NFTs, etc.) as well as the metaverse and VAT-related issues.

Finally, the Regulation provides sufficient overall mechanisms for MSs to be able to respond to technological, scientific, social and legal developments in the field of VAT fraud. Continuous amendments to the Regulation indicate its flexibility and adaptability. The introduction of CESOP (operational as of 2024) is an example of an adaptive mechanism to respond to technological requirements/developments. This will help the rising needs of MSs, who indicated that they have recently been facing new types of VAT fraud, specifically in the field of e-commerce. Nevertheless, these mechanisms do not always allow quick responses to developments. While overall, tools under the Regulation provide mechanisms for responding to emerging trends in fraud, the roles of Eurofisc and the EPPO, and the extent to which these frameworks are exploited, are not sufficiently prominent in this regard.

4.1.4 Conclusions on coherence

MSs appreciate the variety of tools, and the majority do not report any overlaps between them. In particular, VIES, Eurofisc, the eFCA and EoIR work well together. AEOI, without prior request, has been identified as the least coherent tool as such information can maybe more easily be exchanged through Eurofisc.

There is no overlap between the Regulation and other EU legislation as related directives and legislations are complementary. Rather than overlaps, missing or insufficient links to European law enforcement bodies can be observed. In particular, the missing link to the EPPO and lack of use of OLAF, as well as impracticalities related to Europol collaboration, lead to legal uncertainty regarding the cooperation between MSs and these bodies on VAT issues.

4.1.5 Conclusions on EU added value

VAT is a major source of revenue for both Member States' budgets and the EU budget⁹⁸. Furthermore, VAT is the most important harmonized tax in the European Union. Cooperation on cross-border VAT fraud on the EU level is highly appreciated by MSs. MSs need to cooperate to verify VAT information, and the Regulation provides a good framework for that. All consulted MSs agree that the issues addressed by the Regulation should continue to be addressed at the EU level.

MSs reported that the timeliness of information is crucial. It is important to improve and increase the ability to react to VAT fraud. Speed is important to collaborate more closely with the prosecution to ensure cases are followed up on by the judiciary. In addition, there are upcoming issues that are not yet addressed by the Regulation, which require continued action at the EU level. The Regulation is not equipped to address new forms of fraud, and fraud is rapidly moving to services and forms of intangible goods such as cryptocurrencies and NFTs.

⁹⁸ Impact Assessment Report [Accompanying the ViDA Package](#): "VAT is a major source of revenue for Member States' budgets, representing approximately 7% of gross domestic product (GDP). In 2019, the VAT revenue for the 27 Member States (EU-27) amounted to over one trillion euro. Moreover, VAT revenues contribute to the EU budget, since 0.3 percent of VAT collected at domestic level is transferred to the EU as own resources, representing 12% of the total EU budget."

The Regulation provides essential tools for cooperation, as well as networking and experience-sharing opportunities for national tax administrations. In this sense, [terminating or withdrawing the Regulation would most likely lead to a large decrease in tax revenue in EU MSs and higher costs for tax administrations to receive information](#) on VAT and investigate cross-border VAT fraud. Member State administrations would need to find contact points in other countries and agree on a case-by-case basis on how information is shared.

4.2 Lessons learnt

Each suggestion listed below will start with a brief explanation of the issue at hand, followed by actionable and evidence-based suggestions targeting relevant stakeholders involved in the Regulation.

1. The Regulation mostly focuses on tools that foster cooperation between MSs. However, compliance with the Regulation brings a certain administrative burden to companies, most of which are considered honest taxpayers. Therefore, there is a need to shift some of the focus from generating an unfavourable environment for fraudulent taxpayers to generating a friendly environment for honest taxpayers. This could translate, for example, into more frequent consultations with companies on how to best tackle VAT fraud or consult what compliance implications are for businesses.
2. The VAT cross-border refund, OSS and IOSS do contribute to VAT compliance by making rules easier and helping cooperation between MSs, but they less directly influence the effectiveness of MSs in fighting VAT fraud. Consider creating awareness among Member State authorities about the ways in which the proper utility of these tools could shield businesses from being taken advantage of by fraudsters.
3. AEOI is seen as an effective way of tackling VAT fraud, but in practice, its development is faced with technical and operational difficulties. Invest in developing new means of cooperation, specifically relating to automatised methods of data exchange. This would help tackle the issue of a considerable lack of (qualified) personnel and suboptimal capacity (including language barriers), which can be a particular problem in the processing of data. Additionally, it would help prepare Member State competent authorities to tackle fraud in the digital trade, the metaverse and VAT-related issues.
4. A systematic cross-checking of information on missing traders between Eurofisc and Europol databases on organised crime groups would also be advantageous to detect more cases of VAT fraud. Therefore, strengthen the compatibility of information stored in databases to enable connecting TNA tools with other existing databases (e.g. linking TNA to CESOP, given data-protection rules allow).
5. VIES on the Web are used extensively, while VIES is perceived as the gateway to information requests. Strength is the quantity and quality of information available. The latter is also immediately a bottleneck in case MSs do not populate the database consistently. Ensure more harmonisation of how MSs populate these databases.
6. eFCA allows MSs to share information in a standard form and overcome administrative and language barriers. Factors obstructing its use are largely practical, such as limited memory space to attach information. Consider addressing these technical issues.
7. The toolbox provided by the Regulation includes a wide range of tools aiming to foster cooperation, fight VAT fraud and enable taxpayers to fulfil VAT obligations. MSs use the tools simultaneously and to different degrees. Create more awareness of the utility of new tools within the toolbox and clarify how tools can be most efficiently used to achieve its objectives.
8. Eurofisc is seen as most aligned with MSs' needs to address VAT fraud problems. This tool holds the potential to address upcoming trends and developments in relation to VAT fraud. Further, deepen

cooperation through Eurofisc to exploit the results of administrative cooperation in fighting other types of fraud (e.g. related to excise duties or trade-based ML resulting in VAT fraud).

9. The creation of a transversal operation team that performs the core coordination of operational tasks could strengthen the outcomes of Eurofisc. Consider the establishment of an operational team that is ready for the coordination of Eurofisc follow-up actions after cases of potential VAT fraud have been identified.
10. The cooperation between Eurofisc and European bodies such as Europol, OLAF and the EPPO is limited. There is (legal) uncertainty on how to best make use of the cooperation between MSs and these EU bodies. As a positive step, Eurofisc has recently created a new single point of contact concerning communication with Europol and OLAF. However, in order to function in practice, this role must be exploited and embraced by MSs. Improve links to European law enforcement bodies. This could, for example, be done by establishing a contact point in the national tax administrations to exchange VAT information and intelligence on organised crime structures involved in serious VAT fraud. Related to this, actions should be taken to address the lack of awareness of OLAF as a tool. Clarify the roles of OLAF and the EPPO to create an environment for better exploiting the interaction between different tools. While OLAF and EPPO make use of the information provided by tax administrations, Eurofisc cannot share all information as these concerns are mostly early warnings and cannot be used in the judicial system.

Annex I: Evaluation matrix

Table A.1 Elaborated evaluation matrix - Effectiveness

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
EQ1: To what extent have the cooperation tools contributed to (general objectives) ?	EQ1.1: To what extent have the cooperation tools contributed to (general objectives) the facilitation of fulfilment of VAT tax obligation by taxpayers	EQ1.1: Improved fiscal consolidation within the Union	EQ1.1: Share of stakeholders indicating the cooperation tools contributed to fiscal consolidation within the Union EQ1.1: Evolution of VAT Gap (2015 – 2019) EQ1.1: VAT Tax Revenues as % of GDP (2012-2020)	EQ1.1: Stakeholder consultation (interviews and survey) EQ1.1: Impact Assessment accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010 EQ1.1: DG TAXUD, VAT Gap in the EU (annual publication) EQ1.1: DG TAXUD Webpage	To be collected Impact Assessment available (raw survey data not available) Reports available online Online available
	EQ1.2: To what extent have the cooperation tools contributed to (general objectives) the fighting of VAT fraud?	EQ1.2: Strengthened fight against VAT fraud (in VAT fraud). EQ1.2: Decreased involvement of organised crime in VAT fraud.	EQ1.2: Estimated amount of VAT fraud detected (or prevented). EQ1.2 – 1.3: New modus operandi for committing VAT fraud and networks are identified.	EQ1.2: Stakeholder consultation (interviews and survey) EQ1.2: Annual report by Eurofisc (MS)	To be collected Reports through Eurofisc

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
		EQ1.2: Faster identification and dismantling of crime networks in VAT fraud.	EQ1.2: Share of stakeholders indicating the cooperation tools contributed to the fight against VAT fraud. EQ1.2: Reduced time required to identify and dismantle VAT fraud networks		
	EQ1.3: To what extent have the cooperation tools contributed to (general objectives) the close cooperation between MSs in the EU VAT area? <i>Part of this question is exploratory. Hence no judgement criteria or indicators are required.</i>	EQ1.3: Improved cooperation between MSs in the EU VAT area. EQ1.3: Enhanced information exchange between MSs in the EU VAT area. EQ1.3: Increased number of joint activities/investigations undertaken in the VAT area.	<i>See indicators EQ2.1</i> <i>See indicators EQ2.2</i> <i>See indicators EQ2.3</i>		
EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud,	EQ2.1: To what extent have the cooperation tools contributed to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud?	EQ2.1: Improved exploitation of existing cooperation instruments in the field of fighting VAT-related fraud	<i>(Bilateral) Information sharing</i> EQ2.1: Evolution of the total number of information requests (2012 – 2020)	EQ2.1: Annual statistics of the SCAC Expert Group EQ2.1: Annual statistics of the SCAC Expert Group EQ2.1: Annual statistics by DG TAXUD	Provided by DG TAXUD already To be provided by DG TAXUD Provided by DG TAXUD already

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?			EQ2.1: Evolution of % late replies on information requests (2012 -2014)	EQ2.1: Stakeholder consultation (interview)	To be provided by DG TAXUD
			EQ2.1: Evolution of % notifications specifying why the reply was late (2017- 2020)	EQ2.1: Stakeholder consultation (interviews and survey) EQ2.1: Stakeholder consultation (interviews and survey)	To be collected To be collected
			EQ2.1: Evolution of the total number of spontaneous exchanges of information (2012 – 2020)		To be collected
			EQ2.1: Evolution of the AEOI (2012 – 2020)		
			EQ2.1: Number of times feedback is requested (EU level)		
			<u>Joint administrative enquiries</u> EQ2.1: Evolution of presence of officials in other MSs for administrative enquiries (2012 – 2020)		
			EQ2.1: Evolution of MLCs (2012 – 2020)		
			<u>Electronic systems</u>		

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
			<p>EQ2.1: Nr. Of VIES consultations</p> <p>EQ2.1: Measures were taken by MSs to ensure VIES information is accurate and up to date</p> <p>EQ2.1: Share of stakeholders confirming the effectiveness of electronic systems</p> <p><u>Eurofisc</u> EQ2.1: Nr. of planned vs implemented Eurofisc activities.</p> <p><u>Cooperation with national customs authorities</u> EQ2.1: Share of stakeholders confirming the effectiveness of cooperation with national customs authorities</p> <p>EQ2.1: Share of stakeholders indicating the effectiveness of the particular tool</p>		

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	EQ2.2: To what extent have the cooperation tools contributed to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT?	EQ2.2: More effective identification and dismantling of fraudulent networks related to VAT.	EQ2.2: Share of stakeholders indicating that the cooperation tools contributed to more effective identification and dismantling of fraudulent networks related to VAT	EQ2.2: Stakeholder consultation (interviews and survey)	To be collected
	EQ2.3: To what extent have the cooperation tools contributed to improving the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?	EQ2.3: An improved multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity	EQ2.3: Share of stakeholders indicating that the cooperation tools contributed to an improved multidisciplinary approach to fighting and preventing VAT-related fraud	EQ2.3: Stakeholder consultation (interviews and survey)	
EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?	EQ3.1 To what extent have the different ways of implementing the tools of the Regulation in MSs impacted its effectiveness?	EQ3.1: Degree to which MSs implement the tools in the Regulation in a similar manner	EQ3.1: Share of stakeholders indicating MSs implemented tools in Regulation in a heterogeneous manner	EQ3.1: Stakeholder consultation (interviews)	To be collected
	EQ3.2: What factors have hindered the achievement of the objectives?	EQ3.2: Factors hindering the achievement of the objectives of the Regulation. <i>Part of this question is exploratory. Hence no judgement criteria or indicators are required.</i>	EQ3.2: Share of stakeholders confirming heterogeneous implementation of tools by MSs is impacting the delivery of results. EQ3.2: Share of stakeholders confirming (and identifying) external		

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
			factors impacting the delivery of results.		

Table A.2 Elaborated evaluation matrix - Efficiency

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
EQ4: What are costs and benefits for the different stakeholders concerned?	<p>EQ4.1: What are the regulatory and administrative costs and benefits for MSs?</p> <p>EQ4.2: What are the regulatory and administrative costs for the European Commission?</p> <p>EQ4.3: What are the regulatory and administrative costs for business / economic operators?</p> <p>EQ4.4: What are regulatory and administrative costs for other relevant stakeholders? (i.e. EPPO, OLAF)</p>	<i>Part of this question is exploratory. Hence no judgement criteria or indicators are required.</i>		EQ4.1 – 4.4: Stakeholder consultation	To be collected
EQ5: Are the benefits achieved at a reasonable cost?	EQ5.1: To what extent have the desired effects been achieved at reasonable costs on the	EQ5.1: Positive cost/benefit ratio (higher benefits than costs)	<p>EQ5.1: MS level funding for tax authorities</p> <p>EQ5.1: EC funding for Eurofisc</p>	<p>EQ5.1: Stakeholder (expert) estimations</p> <p>EQ5.1: DG TAXUD documentation</p>	<p>To be collected</p> <p>Online available</p> <p>To be collected</p>

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	basis of a cost/benefits analysis?	EQ5.1: Stakeholders have a positive perception of the efficiency of the activities of the tools	<p>EQ5.1: EC funding for tools</p> <p>EQ5.1: Fiscalis programme</p> <p>EQ5.1: Funds for relevant DG TAXUD staff</p> <p>EQ5.1: Funds for staff at MS competent authorities dealing with VAT fraud/cooperation issues</p> <p>EQ5.1: Maintenance costs VIES, OSS, information exchange portal</p> <p>EQ5.1: Evolution of VAT gap</p> <p>EQ5.1: Share of stakeholders confirming that the costs of participating in the cooperation tools are proportionate to the benefits achieved (on the Regulation level and/or on the level of cooperation tools)</p> <p><i>Also, see relevant effectiveness questions and indicators</i></p>	<p>EQ5.1: Stakeholder (expert) estimations</p> <p>DG TAXUD, VAT Gap in the EU (annual publication)</p> <p>EQ5.1: Stakeholder consultation (survey and interviews)</p>	<p>Report available online</p> <p>To be collected</p>
	EQ5.2: Could the same degree of effects have been achieved with lower	EQ5.2: Stakeholders indicate that the same degree of effects could	EQ5.2: Suggestions by stakeholders of simplifications/improvements	EQ5.1: Stakeholder consultation (interviews)	To be collected

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	costs or with simpler procedures involving less administrative burden and/or with different implementation mechanisms?	have been achieved with lower costs. EQ5.2: Indications for significant differences between costs/benefits for stakeholders.	reducing the costs while maintaining the benefits EQ5.2: Share of stakeholders that indicate that the same degree of effects could have been achieved with lower costs.		
EQ6: To what extent did the financing provided under the Fiscalis programme limit the compliance costs for MSs and hence contribute to the achievement of the objectives?		EQ5: Financing under the Fiscalis programme reduced compliance costs for MSs. EQ5: Financing under the Fiscalis programme contributed to the achievement of the objectives of the Regulation.	EQ5: Volume and examples of Fiscalis programme reducing compliance costs. EQ5: Perception of stakeholders on the degree to which the Fiscalis programme reduced compliance costs. EQ5: Perception of stakeholders on the degree to which the Fiscalis programme contributed to the achievement of the objectives of the Regulation.	EQ: Reports on Fiscalis programme (i.e. annual reports and work programmes) EQ5: Stakeholder consultation (interviews)	Available online To be collected

Table A. 3 Elaborated evaluation matrix - Relevance

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
EQ6: To what extent do the initial objectives still correspond to current needs/issues?	EQ6.1: To what extent have the specific and operational objectives of the Regulation proven to	EQ6.1 Alignment between general, specific and operational objectives of the Regulation to the needs	EQ6.1: Share of stakeholders confirming the alignment of general, specific and operational	EQ6.1: Stakeholder consultation (interviews)	To be collected

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	be and remain relevant for the general objectives?	EQ6.1 Alignment between stakeholders' perception of needs and problems and the objectives of the Regulation.	objectives of the Regulation to the needs <i>Also, see relevant effectiveness indicators.</i>		
	EQ6.2: To what extent have the tools of the Regulation proven to be and remain relevant for achieving operational and specific objectives?	EQ6.2: Alignment between tools of the Regulation and the general, specific and operational objectives of the Regulation.	EQ6.2: Share of stakeholders confirming the alignment of activities/tools with needs and problems in the field of VAT fraud and the objectives of the Regulation <i>Also, see relevant effectiveness indicators.</i>	EQ6.2: Stakeholder consultation (interviews)	To be collected
EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office	EQ7.1: Which adaptation mechanisms are in place to follow technological, scientific, social and legal developments?	EQ7.1: Presence of adaptation mechanisms in place to follow technological, scientific, social and legal developments	EQ7.1: Adaptation mechanisms in place to follow technological, scientific, social and/or developments	EQ7.1: Stakeholder consultation	To be collected
	EQ7.2: Which adaptation mechanisms are in place to follow the developments in the juridical framework of bodies in charge of preventing and fighting fraud?	EQ7.2: Presence of adaptation mechanisms to follow the developments in the juridical framework of bodies in charge of preventing and fighting fraud?	EQ7.2: Adaptation mechanisms in place to follow developments at EPPO. EQ7.2: Adaptation mechanisms in place to	EQ7.3: Stakeholder consultation	To be collected

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
and the anti-money laundering authorities?			<p>follow developments at OLAF.</p> <p>EQ7.2: Adaptation mechanisms in place to follow developments at Europol.</p>		
	<p>EQ7.3: To what extent are needs and problems already addressed in the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package".</p>	<p>EQ7.3: Amendments are addressing evolving needs/problems to a significant extent</p> <p>EQ7.1-7.3: The broad trends in VAT gap, VAT fraud, and AML are addressed via the existing mechanisms</p>	<p>EQ7.3: Share of stakeholders confirming positive opinions on future amendments to address changing needs.</p> <p>EQ7.1-7.3: Effectiveness indicators related to the evolution of the VAT gap, VAT tax revenues, related VAT fraud trends</p>	<p>EQ7.3: amendments by Regulation (EU) 2020/283 and Directive (EU) 2020/285</p> <p>EQ7.3: Stakeholder consultation</p> <p>EQ7.1-7.3: see the Effectiveness indicators sources</p>	<p>Available online</p> <p>To be collected</p>

Table A.4 Elaborated evaluation matrix - Coherence

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?	EQ8.1: To what extent are the tools of the Regulation coherent and consistent with one another?	EQ8.1: The tools of the Regulation are coherent and consistent with one another	EQ8.1: Alignment of the tools (articles) of the Regulation in terms of objective and scope	EQ8.1: Regulation 940/2010 EQ8.1: Impact Assessment accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010 EQ8.2: Regulation 940/2010	Available online Impact Assessment available Available online Impact Assessment available
	EQ8.2: Are there any overlaps, contradictions or inconsistencies among the tools of the Regulation?	EQ8.2: There are no overlaps, contradictions or inconsistencies among the tools of the Regulation.	EQ8.2: Assessment (and evidence) of tools (articles) in the Regulation that overlaps/ contradict or are inconsistent with one another (e.g., synergies, in terms of key concepts, terminology, in their implementation)	EQ8.2: Impact Assessment accompanying the document Amended proposal for a Council Regulation Amending Regulation (EU) No 904/2010 EQ8.2: Stakeholder consultation	To be collected
EQ9: To what extent is the Regulation coherent with other EU Regulation with similar objectives (external)?	EQ9.1. To what extent are there complementarities /synergies between the Regulation and EU legislation in the combat against fraud (i.e.	EQ9.1. There are complementarities/synergies between the Regulation and EU legislation in the combat against fraud	EQ9.1. Assessment of the coherence of the articles of the Regulation with Regulation 2017/1939, Regulation (EU) 2021/785,	EQ9.1: Regulation 940/2010 EQ9.1: Regulation 2017/1939, Regulation (EU) 2021/785, Regulation	Available online To be collected

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	Regulation 2017/1939, Regulation (EU) 2021/785, Regulation (EU, Euratom) No 883/2013)		Regulation (EU, Euratom) No 883/2013. EQ9.1: Share of stakeholders confirming synergies between the tools and other initiatives on the EU level in the combat against tax fraud.	(EU, Euratom) No 883/2013. EQ9.1: Stakeholder consultation (survey and interviews)	
	EQ9.2. To what extent are there complementarities /synergies between the Regulation and other EU legislation in MSs information exchange (i.e. Regulation 2016/679)	EQ9.2. There are complementarities/synergies between the Regulation and the exchange and MSs cooperation to a high extent/some extent/no extent.	EQ9.2. Assessment of the coherence of the articles of the Regulation with Regulation 2016/679 EQ9.2: Share of stakeholders confirming synergies between the tools and other initiatives on the EU level in MSs cooperation	EQ9.2: Regulation 940/2010 EQ9.2: Regulation 2016/679 EQ9.2: Stakeholder consultation (survey and interviews)	Available online To be collected

Table A.5 Elaborated evaluation matrix - EU added value

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
EQ10: Is there additional value resulting from the Regulation compared to what could be achieved at the national level?	EQ10.1. To what extent has the intervention at the EU level contributed to reaching the general and specific objectives of the Regulation as compared to any potential intervention of MSs at the regional, national or international level?	EQ10.1. The intervention at the EU level has contributed to reaching the general and specific objectives of the Regulation to a greater extent than any potential intervention of MSs at the regional, national or international level.	EQ10.1: Share of stakeholders confirming the importance of the support of the tools in reaching the general and specific objectives	EQ10.1: Stakeholder consultation (interviews)	To be collected

General question	Specific questions	Judgement criteria	Indicators	Data sources	Documentation available
	EQ10.2: To what extent has the intervention at the EU level contributed to achieving efficiencies that could not have been achieved on the MS level alone?	EQ10.2: Intervention on the EU level was most cost-effective compared to possible interventions on the national level. EQ10.1-10.2: The number/volume of similar existing mechanisms at the national level is insufficient to address the objectives of the Regulation	EQ10.2: Share of stakeholders confirming that there was an increase in financial efficiency due to the intervention on the EU level as compared to possible national interventions. EQ10.1-10.2: Number/volume of similar existing mechanisms at the national level	EQ10.1: Stakeholder consultation (interviews) EQ10.1-10.2: Data from national authorities	To be collected
EQ11: To what extent do the issues addressed by the Regulation continue to require action at the EU level?		EQ11.1: Stakeholders agree that issues addressed by the Regulation continue to require action at the EU level	EQ11.1: Share of stakeholders confirming issues addressed by the Regulation continue to require action at the EU level EQ11.1: Foresight reports and studies confirming that issues addressed by the Regulation continue to be relevant to achieve general objectives	EQ10.1: Stakeholder consultation (interviews) EQ11.1: DG TAXUD, VAT Gap in the EU (annual publication)	To be collected Reports available online
EQ12: What would be the most likely consequences of terminating or withdrawing the Regulation?		<i>For the exploratory question, no judgement criteria or indicators are required.</i>			

Annex II: Overview interviewed stakeholders

Table A.6 Overview of interviewed stakeholders

Member States/ EU stakeholders		Scoping interviews	In-depth interview
National Tax Authorities			
1	Austria		Ms Julia Tumpel Mr Ernst Radlwimmer
2	Belgium		Ms Wendy Roelandt Mr Alina Cozma Mr Abdessamad Chenouili
3	Bulgaria		Ms Antoaneta Saeva
4	Croatia		Ms Sunčana Sovic - Digna
5	Czech Republic		Mr Alexandr Chmelik Ms Magda Melichova
6	Denmark		Mr Torben Ulrich Andersen Ms Susanne Bunk Dybdahl Ahle
7	Estonia		Ms Anastassia Degteva Ms Reelika Pärn, Ms Triin Toomeste, Ms Triin Antso
8	Finland		Ms Annaliisa Pöyhönen Ms Terhi Punto-Niskanen Mr Juha Kuusala
9	France	Ms Nathalie Gossement	Ms Nathalie Gossement Mr Jeremy Dubois Mr Thomas Bernier Mr Renaud Rodenas Mr Cedric Dufourt Ms Agnieszka Bernacka
10	Germany	Mr Marco Zucker Mr John Dous	Mr Marco Zucker Ms Eva Wolter
11	Greece		Ms Aikaterini Bouzounieraki Ms Athina Mitsiliou Ms Flora Athanaseli Ms Vasso Zarkadoula Ms Natassa Fragkoulopoulou Ms Angeliki Dimopoulou Mr Christos Lamprou Mr Dionysios Zormpanos Ms Georgia Tounta
12	Hungary		Mr Richard Messzi-Szabo Mr Nandor Robert
13	Ireland		Mr Paul Cassidy Mr Eoghan Mc Ateer

Member States/ EU stakeholders		Scoping interviews	In-depth interview
			Mr Gerard D'Arcy Ms Niamh Maguire Ms Lorna Walsh Mr Shane Kelly Ms Teresa Cunningham
14	Italy		Ms Lara Bartolozzi Ms Paola de Lellis Ms Giulia Suquet Mr Christian Joseph Applegate.
15	Latvia		Mr Jānis Lagzdīņš
16	Netherlands	Anita Ten Hove Koos Lucassen	Ms Anita Ten Hove Mr Mehmet Dunder Ms Suzette Veldhuis - Tjihuis
17	Poland		Ms Urszula Prus-Markowska Ms Anita Kruczkowska-Lassak Ms Magdalena Chróst-Szysko Ms Helena Ulaniuk Ms Agnieszka Karczewska Ms Dąbrowka Prezwłocka Ms Izabella Długosz Ms Anna Zabicka
18	Slovenia		Ms Nataša Batista Maljevac
19	Slovakia		Ms Jana Balsianková Ms Diana Mozolaková
20	Sweden		Mr Ann-Charlotte Carlsson Ms Britta Wiessner Ms Alma Ollofsdottir
21	Portugal		Ms Rute Nogueira Ms Leonor Carvalho Mr Pedro Nunes Mr Albertino Marques Dias
Customs Authorities			
1	Cyprus		Ms Mari Charalambous
2	Italy		Mr Sergio Cupini
3	Netherlands	Ms Brigitte Bijl Mr Cab Schutte Ms Merel Algra	Ms Carla van Rijn
4	Poland		Mr Tadeusz Senda
5	Romania		Mr Adrian Videanu
EU stakeholders			
1	DG TAXUD – European Commission	Mr Francisco Fernandez Monge Mr Robert Cibulla Mr Manuel Gonzalez Mr Christos Siaterlis	
2	EPPO		Mr Nelson Macedo Da Cruz
3	Eurofisc	Mr Yannick Hulot Mr Serge Hollerich	Mr Yannick Hulot Mr Serge Hollerich Mr Renaud Rodenas

Member States/ EU stakeholders		Scoping interviews	In-depth interview
			Ms Lara Bartolozzi Ms Eva Wolter
4	TADEUS		Mr Jean François Vandermeulen
5	VAT Expert Group		Ms Lorry Limbourg Mr Carlos Gomez Barrero Ms Tiina Ruohola
6	OLAF		Mr James Creed Mr Juergen Marke
7	EU AIAC		Ms Magda
8	Europol		Mr Dan Baicu
9	Tax Executives Institute	Mr Gorka Echevarria	

Annex III: Online survey questions

Section 1 - Identification

Identification questions
Please indicate your country (drop-down menu with country names).
Please indicate for which organisation you work.
Ministry of Finance
Tax authority – Anti-fraud unit/department
Tax authority – Audit and compliance unit/department
Tax authority – International cooperation
Tax authority – Strategy and management unit/department
Tax authority – Operational management
Customs authority (or other authority dealing with customs and excise duties)
Law enforcement authority
Other public entities (please specify)

Section 2 - Effectiveness

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
To which extent did Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT contribute to...						
Fiscal consolidation within the European Union						
The fight against VAT fraud						
Close cooperation between MS in the EU VAT area						
Please indicate the extent to which you used the following tools to tackle VAT fraud.						
Exchange of information						
1.1 On request:						
1.1.1. Request for information and for administrative enquiries (7.4)						
1.1.2. Mandatory (Art. 7.4a)						
1.1.3. In the context of the OSS (Art. 47i and 47j)						
1.2. Spontaneous. exchange of information without prior request (art 15)						
1.3. Automatic exchange of information without prior request (art 14)						
1.4. Feedback for requests of Article 7 or 15 (art 16)						
1.5. Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for auditing						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
2.1. Presence in administrative offices						
2.2 Presence during administrative enquiries						
2.3. Administrative enquiries carried out jointly						
Simultaneous controls 29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a - 47l)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21						
5.2. VIES on the Web and validation of VAT number (Art. 31).						
E-Forms Central Application (eFCA)						
VAT cross-border refund Chapter XII						
Eurofisc including: <ul style="list-style-type: none"> Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)						
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)						
To what extent were the following cooperation tools useful to better exploit existing administrative cooperation instruments in the field of fighting VAT-related fraud?						
Exchange of information 1.1. On request: <ul style="list-style-type: none"> 1.1.1. Request for information and for administrative enquiries (7.4) 1.1.2. Mandatory (Art. 7.4a) 1.1.3. In the context of the OSS (Art. 47i and 47j) 1.2. Spontaneous. exchange of information without prior request (art 15) 1.3. Automatic exchange of information without prior request (art 14) 1.4. Feedback for requests of Article 7 or 15 (art 16)						
Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for auditing.						
2.1 Presence in administrative offices						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
2.2 Presence during administrative enquiries						
2.3. Administrative enquiries carried out jointly						
28.2a						
Simultaneous controls						
29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a - 47l)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21						
5.2. VIES on the Web and validation of VAT number (Art. 31).						
Central application for Electronic Forms (E-Forms)						
Central Application (eFCA)						
VAT cross-border refund						
Chapter XII						
Eurofisc including:						
<ul style="list-style-type: none"> Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) 						
Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)						
Art. 49: Statistics AND OLAF (introduced in 2018)						
49.2a Member States may communicate to OLAF relevant information)						
To what extent were the following cooperation tools useful to better fight VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT?						
Exchange of information						
1.1. On request:						
1.1.1. Request for information and for administrative enquiries (7.4)						
1.1.2. Mandatory (Art. 7.4a)						
1.1.3. In the context of the OSS (Art. 47i and 47j)						
1.2. Spontaneous. exchange of information without prior request (art 15)						
1.3. Automatic exchange of information without prior request (art 14)						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
1.4. Feedback for requests of Article 7 or 15 (art 16)						
Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for auditing						
2.1. Presence in administrative offices						
2.2. Presence during administrative enquiries						
2.3. Administrative enquiries carried out jointly						
Simultaneous controls 29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a - 47j)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21						
5.2. VIES on the Web and validation of VAT number (Art. 31).						
E-Forms Central Application (eFCA)						
VAT cross-border refund Chapter XII						
Eurofisc including: <ul style="list-style-type: none"> Operational working fields (WF 1 MTIC, WF2 means of transport) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Database (Surveillance)						
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)						
To what extent were the following cooperation tools useful to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?						
Exchange of information						
1.1. On request:						
1.1.1. Request for information and for administrative enquiries (7.4)						
1.1.2. Mandatory (Art. 7.4a)						
1.1.3. In the context of the OSS (Art. 47i and 47j)						
1.2. Spontaneous. exchange of information without prior request (art 15)						
1.3. Automatic exchange of information without prior request (art 14)						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
1.4. Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for auditing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly						
Simultaneous controls 29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a - 47l)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21 5.2. VIES on the Web and validation of VAT number (Art. 31).						
E-Forms Central Application (eFCA)						
VAT cross-border refund Chapter XII						
Eurofisc including: <ul style="list-style-type: none"> Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Database (Surveillance)						
Art. 49: Statistics AND OLAF (introduced in 2018 49.2a Member States may communicate to OLAF relevant information)						

Success factors	
Please briefly list the main factors that contribute to the usefulness of the tools (open question).	
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15) Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)	
Presence of officials in the territory of another Member State for auditing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly	
Simultaneous controls 29	
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47i)	
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21	
5.2. VIES on the Web and validation of VAT number (Art. 31).	
E-Forms Central Application (eFCA)	
VAT cross-border refund Chapter XII	
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.	
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)	
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)	

Obstacle factors	
Please briefly list the main factors that hinder the usefulness of the tools, thereby negatively affecting your ability to collect VAT and combat VAT fraud. (open question).	
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15)	

Obstacle factors	
Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)	
Presence of officials in the territory of another Member State for auditing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly	
Simultaneous controls 29	
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47l)	
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21 5.2. VIES on the Web and validation of VAT number (Art. 31).	
E-Forms Central Application (eFCA)	
VAT cross-border refund Chapter XII	
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.	
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)	
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)	

Tools	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
To which extent do you consider the legal provisions of the cooperation tools complete?						
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15) Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for auditing						

Tools	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
2.1. Presence in administrative offices						
2.2 Presence during administrative enquiries						
2.3. Administrative enquiries carried out jointly						
Simultaneous controls 29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47l)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21						
5.2. VIES on the Web and validation of VAT number (Art. 31).						
E-Forms Central Application (eFCA)						
VAT cross-border refund Chapter XII						
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)						
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)						

Please briefly list what you consider is missing or should be improved.	
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15) Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)	
Presence of officials in the territory of another Member State for auditing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly	
Simultaneous controls 29	
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47l)	

5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21	
5.2. VIES on the Web and validation of VAT number (Art. 31).	
E-Forms Central Application (eFCA)	
VAT cross-border refund Chapter XII	
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.	
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)	
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)	

Section 3 – Efficiency

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
Please indicate to which extent the benefits of using the following tools outweigh possible regulatory and administrative costs.						
Exchange of information (upon request and spontaneous) and requests for administrative enquiries [footnote: using standard forms / E-Forms Central Application (eFCA) or other relevant communication systems like CCN (Common Communication Network) mail]						
Requests for mandatory administrative enquiries issued by at least two Member States						
Presence of officials in the territory of another Member State for auditing						
Simultaneous controls and joint administrative enquiries of multinational companies by a team of tax auditors from several Member States						
One Stop Shop						
VAT cross-border refund						
VAT Information Exchange System (VIES) to exchange VAT information						
VIES on the Web allow economic operators to check the validity of clients' VAT numbers						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
Eurofisc as the network of national experts in the fight against VAT cross-border fraud, created in 2010 by Regulation 904/2010						
Exchange and analysis with TNA,						
Exchange and analysis with file exchanges						
Cooperation with OLAF						
Cooperation with EUROPOL						
Coordination of follow-up actions						
Feedback structure and governance,						
Customs data (SURV), Cars data EUCARIS						
Cooperation with national customs authorities						
Request for administrative notifications						

Please indicate whether you received funding under the Fiscalis programme after 2014:

Yes [If yes, the survey takes to Q12]

No [If no, survey takes to Q14]

Please indicate the extent to which your participation in the Fiscalis programme contributed to delivering results in the fight against VAT fraud.

- Not at all
- To a limited extent
- To some extent
- To a large extent
- To a very large extent
- Do not know

Please indicate the extent to which your participation in the Fiscalis programme contributed to reducing compliance costs associated with the Regulation:

- Not at all
- To a limited extent
- To some extent
- To a large extent
- To a very large extent
- Do not know

Please briefly explain why you have not made use of funding under the Fiscalis programme (open question).

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
To what extent do you consider the following principles for the exchange of information to be efficient?						
Exchange of information upon request						
Automatic and Spontaneous Exchange of information(art 14-15)						

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
Automated access to information by officials or systems (article 21)						

Please select those principles for the exchange of information that you consider are being efficiently implemented currently:

- Exchange of information upon request
- Automatic and Spontaneous Exchange of information(art 14-15)
- Automated access to information by officials or systems (article 21)
- None of the above

Section 4 – Relevance

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
To what extent is VAT fraud considered a problem...						
in your country?						
in EU Member States?						
In non-EU countries?						
Please indicate to which extent the objectives of the Regulation align with the need to control intra-EU transactions, collect VAT, and address VAT fraud problems.						
in your country?						
in EU Member States?						
In non-EU countries?						

Which frequently occurring type of VAT fraud does Regulation 904/2010 help identify and address best? (multiple answers possible)

- Missing Trader Intra-Community (MTIC) VAT Fraud
- VAT fraud in e-commerce
- Fraud in relation to the dual VAT regime applicable to cars
- Fraud in relation to importation
- Mis-categorization of a product to benefit from preferential rates
- Informal economy (e.g. unreported cash-based sales, using more than one time a receipt etc.)
- Fake invoicing of exports (as exports are never subject to VAT, then it might be possible to invoice certain sales to a company without VAT payment to the state)
- None of the above

Tools	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
Please indicate whether the different cooperation tools align with the need to address VAT fraud problems.						
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15) Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)						
Presence of officials in the territory of another Member State for ((audit(???))ing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly						
Simultaneous controls 29						
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47l)						
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21 5.2. VIES on the Web and validation of VAT number (Art. 31).						
E-Forms Central Application (eFCA)						
VAT cross-border refund Chapter XII						
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transports) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.						
Cooperation with national customs authorities, including access to Customs Data base (Surveillance)						
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)						

Are there parts of Regulation (EU) 904/2010 that are no longer relevant for the control of intra-EU transactions and efficient collection of VAT? If there are, then please elaborate. (open question)
Is Regulation 904/2010 well-equipped to address upcoming / evolving types of VAT fraud?
<ul style="list-style-type: none"> • Yes • No

- I do not know

Which emerging threats/ topics related to VAT fraud should be explored in potential future amendments to the Regulation?
(open question)

Section 5 – Coherence and added value

Tools	Very bad	Bad	Well	Very well	Do not know
Please indicate the extent to which the different cooperation tools work well together or not in the fight against VAT fraud.					
Exchange of information On request: Request for information and for administrative enquiries (7.4) Mandatory (Art. 7.4a) In the context of the OSS (Art. 47i and 47j) Spontaneous. exchange of information without prior request (art 15) Automatic exchange of information without prior request (art 14) Feedback for requests of Article 7 or 15 (art 16) Request for administrative notification (art 25)					
Presence of officials in the territory of another Member State for auditing 2.1. Presence in administrative offices 2.2 Presence during administrative enquiries 2.3. Administrative enquiries carried out jointly					
Simultaneous controls 29					
Schemes included in Chapter XI, with special reference to Section 3 (OSS and IOSS Art 47a -47l)					
5.1. VAT Information Exchange System (VIES) and recapitulative statements. Art 17 and 21 5.2. VIES on the Web and validation of VAT number (Art. 31).					
E-Forms Central Application (eFCA)					
VAT cross-border refund Chapter XII					
Eurofisc including: Operational working fields (WF 1 MTIC, WF2 means of transport) and WF 5 (e-commerce). Transaction Network Analysis (TNA); Cooperation with other EU bodies (OLAF and Europol) Access to vehicle information. EUCARIS (21a) Other tools, such as invalidation of the VAT Registration Number.					
Cooperation with national customs authorities, including access to Customs Database (Surveillance)					
Art. 49: Statistics AND OLAF(introduced in 2018 49.2a Member States may communicate to OLAF relevant information)					

Tools	Very bad	Bad	Well	Very well	Do not know
Please indicate the extent to which the Regulation overlaps with other EU Regulation in the following areas.					
Information exchange					
Fight against fraud					
Other (please specify _____)					

Please indicate to what extent the Regulation contributes to delivering results that otherwise could not be achieved on the national level.

- Not at all
- To a limited extent
- To some extent
- To a large extent
- To a very large extent
- Do not know

Please indicate whether the issues addressed by the Regulation should continue to be addressed at the EU level.

Yes

No

Section 6 – Additional questions

Are you a member of the Eurofisc network?

Yes [If Yes, the survey takes to Q29]

No [If No, the survey takes to Q36]

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	We do not participate in this Working Field
To what extent do you agree that Eurofisc is an effective early warning tool that improves the collection of VAT on intra-EU transactions? Please provide your opinion on every Working Field separately.						
*Eurofisc (in general)						
*Working Field 1 – Missing Trader Intra-Community (MTIC) fraud						
*Working Field 2 - Cars ⁹⁹						
*Working Field 2 - Boats and planes						
*Working Field 3 – Customs Procedure No 42 (CP42100)						
Working Field 4 - Observatory						

⁹⁹ Working field 2 deals with cars, boats and planes VAT fraud in intra-EU trade.

¹⁰⁰ Under this procedure, is exempted from VAT the importation of goods followed by an exempted intra-EU supplies of goods (Art. 143(1)(d) of the VAT Directive).

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	We do not participate in this Working Field
Working Field 5 e-commerce						

To what extent do you agree that the extended right to consult VIES for Eurofisc officials (art 21.2.e) is useful and contributes to Eurofisc being an effective early warning tool that improves the collection of VAT on intra-EU transactions?

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Do (did) you receive complaints from traders in relation to the data communicated through Vies-on-the-Web?

Yes

No

If Yes, please provide more details on the complaints received (e.g. the nature of the complaint, average number of complaints, etc.). *(open question)*

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Please state the extent to which you agree with the following statements:					
*The Transaction Network Analysis (TNA) tool helped to improve Eurofisc capacity.					
I see the added value of participating in an exchange of information through TNA.					
The TNA access to data on cross-border supplies exchanged through VIES works well.					
TNA helped boost cooperation and information exchange between national tax officials					

What improvements would you suggest for Eurofisc to better serve your needs? *(open question)*

Do you use standard forms in your work?

Yes

No

Do you see the need to update the standard forms used for requests for administrative cooperation?

Yes

No

If YES, please elaborate on what has to be updated *(open question)*

If you wish to upload a document that could allow us to evaluate the current arrangements for administrative cooperation or could otherwise be useful for the evaluation of Regulation (EU) 904/2010, then please use the button below. *(open question)*

Online survey for economic operators

Section 1 - identification questions

Please indicate the country where your company is located. In the case of multi-national corporations, please select the country of the branch/subsidiary you are working from. (EU -countries listed in a single-choice question)

Including yourself, how many employees does your company have?
<ul style="list-style-type: none">• Only myself• Under 10• 10-49• 50-249• 250-999• 1000 or more
With whom does your business primarily trade internationally?
<ul style="list-style-type: none">• Other businesses• Direct consumers

Section 2 - relevance

The following questions are meant to collect information on the relevance of EU cooperation against VAT fraud.

From your professional perspective, how relevant is improved EU cooperation between authorities to fight VAT fraud?
<ul style="list-style-type: none">• Not at all• To a limited extent• To some extent• To a large extent• To a very large extent• Do not know
Please explain your response to the previous question (open question)

Section 3 - effectiveness

The following questions are meant to collect information on the effectiveness of Regulation (EU) 904/2010 in the fight against VAT fraud.

How effective do you think Regulation (EU) 904/2010 is in the fight against VAT fraud?
<ul style="list-style-type: none">• Not at all• To a limited extent• To some extent• To a large extent• To a very large extent• Do not know
Please explain your response to the previous question (open question)
Does Regulation (EU) 904/2010 contribute to a friendly environment for honest taxpayers?
<ul style="list-style-type: none">• Not at all• To a limited extent• To some extent• To a large extent• To a very large extent• Do not know

Please explain your response to the previous question (open question)

The following questions focus on specific tools under Regulation (EU) 904/2010 that are used by businesses in the fight against VAT fraud. It concerns the One Stop Shop (OSS), the Import One Stop Shop (IOSS), VIES on the Web and VAT Cross Border Refunds.

To which extent do you use the following EU VAT tools?		
1	One Stop Shop (OSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
2	Import One Stop Shop (IOSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
3	VIES on the Web and validation of VAT number (Art. 31). <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
4	VAT cross-border refund (Chapter XII) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
From your professional perspective, how effective are these tools in reducing risks of VAT fraud?		
	One Stop Shop (OSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional)
	Import One Stop Shop (IOSS) (Art 47a- 47l)	Please explain (optional)

	<p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	
	<p>VIES on the Web and validation of VAT number (Art. 31).</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)
	<p>VAT cross-border refund (Chapter XII)</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)
<p style="color: #0070C0;">How useful do you consider these tools in your day-to-day work?</p>		
	<p>One Stop Shop (OSS) (Art 47a- 47l)</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)
	<p>Import One Stop Shop (IOSS) (Art 47a- 47l)</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)
	<p>VIES on the Web and validation of VAT number (Art. 31).</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)
	<p>VAT cross-border refund (Chapter XII)</p> <p><i>(choose from the drop-down menu)</i></p> <p>Not at all, To a limited extent</p> <p>To some extent</p> <p>To a large extent</p> <p>To a very large extent</p> <p>Do not know</p>	Please explain (optional)

Which factors make the tools useful for you?	
1	One Stop Shop (OSS) (Art 47a-47l) <i>(text-box for further explanation)</i>
2	Import One Stop Shop (IOSS) (Art 47a- 47l) <i>(text-box for further explanation)</i>
3	VIIES on the Web and validation of VAT number (Art. 31). <i>(text-box for further explanation)</i>
4	VAT cross-border refund (Chapter XII) <i>(text-box for further explanation)</i>
Which factors make the tools not useful for you?	
1	One Stop Shop (OSS) (Art 47a-47l) <i>(text-box for further explanation)</i>
2	Import One Stop Shop (IOSS) (Art 47a-47l) <i>(text-box for further explanation)</i>
3	VIIES on the Web and validation of VAT number (Art. 31). <i>(text-box for further explanation)</i>
4	VAT cross-border refund (Chapter XII) <i>(text-box for further explanation)</i>
What can be done to make the tools more useful?	
1	One Stop Shop (OSS) (Art 47a- 47l) <i>(text-box for further explanation)</i>
2	Import One Stop Shop (IOSS) (Art 47a- 47l) <i>(text-box for further explanation)</i>
3	VIIES on the Web and validation of VAT number (Art. 31). <i>(text-box for further explanation)</i>
4	VAT cross-border refund (Chapter XII) <i>(text-box for further explanation)</i>

Section 4: efficiency

Regulation 904/2010 creates several obligations for businesses in order to fight VAT fraud. The following questions are meant to collect information on whether the societal benefits created by businesses complying with these obligations outweigh the costs that businesses need to make in order to comply. Obligations for businesses include: keeping accurate and up-to-date records of all VAT transactions, including invoices and other relevant documents; filing VAT returns with the relevant tax authorities on a regular basis; notifying tax authorities of any suspicious transactions or attempts at fraud; cooperating with tax authorities in investigations and audits related to VAT fraud; implementing internal controls to prevent and detect VAT fraud. Appointing a person responsible for ensuring compliance with the regulation.

How would you rate the administrative burden for your business arising from cooperation between Member States under Regulation (EU) 904/2010 to combat VAT fraud (e.g. information requests by tax authorities on cross-border VAT fraud)?

<ul style="list-style-type: none"> • Very low • Low • Average • High • Very high • Do not know
Please explain (optional, open question)
Do the societal benefits of cooperation under Regulation (EU) 904/2010 to combat VAT fraud outweigh the costs for honest businesses to comply with VAT tax obligations?
<ul style="list-style-type: none"> • Not at all • To a limited extent • To some extent • To a large extent • To a very large extent • Do not know
Please explain (optional, open question)
Would you be able to quantify the administrative effort for your business arising from cooperation between Member States Regulation (EU) 904/2010 (e.g. in the number of FTEs working on compliance with this Regulation)? (open question)

		Explanation
To what extent do the following tools save you administrative and compliance costs?		
1	One Stop Shop (OSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
2	Import One Stop Shop (IOSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
3	VIES on the Web and validation of VAT number (Art. 31). <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
4	VAT cross-border refund (Chapter XII) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent	Please explain (optional):

		Explanation
	To a very large extent Do not know	
Do the societal benefits of the tools outweigh administrative costs?		
1	One Stop Shop (OSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
2	Import One Stop Shop (IOSS) (Art 47a- 47l) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
3	VIES on the Web and validation of VAT number (Art. 31). <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):
4	VAT cross-border refund (Chapter XII) <i>(choose from the drop-down menu)</i> Not at all, To a limited extent To some extent To a large extent To a very large extent Do not know	Please explain (optional):

Section 5: coherence and added value

These questions are meant to collect information about the coherence and added value of Regulation (EU) 904/2010.

Are there parts of Regulation (EU) 904/2010 that are no longer relevant for the control of intra-EU transactions and efficient collection of VAT? If there are, then please elaborate. (open question)
Is Regulation (EU) 904/2010 well-equipped to address upcoming/evolving types of VAT fraud?
<ul style="list-style-type: none"> • Yes • No • I do not know
Which emerging threats/topics related to VAT fraud should be explored in potential future amendments to Regulation (EU) 904/2010? (open question)

Which emerging threats/topics related to VAT fraud should be explored in potential future amendments to Regulation (EU) 904/2010?
<ul style="list-style-type: none">• Not at all• To a limited extent• To some extent• To a large extent• To a very large extent• Do not know
Please indicate whether the issues addressed by Regulation (EU) 904/2010 related to the fight against VAT fraud should continue to be addressed at the EU level.
<ul style="list-style-type: none">• Yes• No• I do not know
Do you have any other feedback regarding Regulation (EU) 904/2010 that you would like to share with us? (open question)
In case you would be willing to further elaborate on your answers in a personal conversation, please provide your name and email address. (open question)

Annex IV: Interview questions

Table A.7 Interview questionnaire - National Tax Authorities

Effectiveness	
<i>EQ1: To what extent have the cooperation tools contributed to (general objectives) the fiscal consolidation within the Union, the fighting of VAT fraud, and the close cooperation between MS in the EU VAT area?</i>	
1.	Has the Regulation contributed to (((fiscal consolidation))) (within your country)? In which way? <ol style="list-style-type: none"> Have there been changes in the VAT gap/ VAT tax revenues?
2.	Has the Regulation strengthened the fight against VAT fraud? In which way? <ol style="list-style-type: none"> Have there been changes in the estimated amount of VAT fraud detected (or prevented)? Have new modus operandi for VAT fraud and networks been identified?
3.	Has the Regulation improved cooperation between the MS in the EU VAT area? In which way? <ol style="list-style-type: none"> Did it enhance information exchange? How? Has there been an increase in joint activities?
<i>EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?</i>	
4.	How would you assess the effectiveness of the tools laid down by the Regulation in general? <ol style="list-style-type: none"> How would you assess their clarity? (do they leave room for multiple interpretations?) How would you assess the clarity of procedures? How would you assess the assistance from Eurofisc in implementation?
5.	Have the cooperation tools from the Regulation contributed to better exploit the existing administrative cooperation instruments? <ol style="list-style-type: none"> In which way? Which tools have been particularly relevant in this regard? Why? Which tools were could be further improved to contribute to better cooperation?
6.	Have the cooperation tools from the Regulation contributed to more rapid and more effective identification and dismantling of fraudulent networks related to VAT? <ol style="list-style-type: none"> In which way? Which tools have been particularly relevant in this regard? Why? Which tools were could be further improved to contribute to rapid and more effective identification?
7.	Have the cooperation tools from the Regulation improved a multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity? <ol style="list-style-type: none"> In which way? Which tools have been particularly relevant in this regard? Why? Which tools were could be further improved to contribute to rapid and more effective identification?
8.	Have the amendments made in 2018 had an impact on the effectiveness of the Regulation? <ol style="list-style-type: none"> I.e. addition of article 7.4a (laying down the grounds based on which requested Member States can refuse information sharing requests) I.e. addition of article 28.2 (the provision of joint enquiries) I.e. changes to articles 33 – 37 (Eurofisc)
9.	Are there any unintended effects of the Regulation and its tools? How do those impact the objectives of the Regulation?
<i>EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?</i>	

<p>10. Which internal and external factors hindered or contributed to the delivery of results?</p> <p>a. Can you specify factors that affect certain cooperation tools?</p> <p>b. To which extent did COVID-19 affect the achievement of results?</p>
<p>Efficiency</p>
<p><i>EQ4: What are the costs and benefits for the different stakeholders concerned?</i></p>
<p>11. What are the (regulatory and administrative) costs for your organisation?</p> <p>12. What are the (regulatory and administrative) benefits for your organisation?</p> <p>13. Can you say something about the (regulatory and administrative) costs of the Regulation for economic operators/ businesses?</p>
<p><i>EQ5: Are the benefits achieved at a reasonable cost?</i></p>
<p>14. Do the benefits of cooperation under the Regulation weigh up against the costs?</p> <p>15. Could the same results be achieved with lower costs or simpler procedures/ different implementation mechanisms? In which way?</p> <p>16. Could better results be achieved with an investment or improvements to procedures/ implementation mechanisms?</p>
<p><i>EQ6: To what extent did the financing provided under the Fiscalis programme limit the compliance costs for Member States and hence contribute to the achievement of the objectives?</i></p>
<p>17. If applicable, has your participation in the Fiscalis programme contributed to delivering results in the fight against VAT fraud? In which way?</p> <p>18. If applicable, has your participation in the Fiscalis programme contributed to reducing compliance costs associated with the Regulation? In which way?</p>
<p>Relevance</p>
<p><i>EQ6: To what extent do the initial objectives still correspond to current needs/issues?</i></p>
<p>19. Which trends and developments have you seen over the past years in the area of VAT fraud?</p> <p>a. Do the objectives of the Regulation respond to these trends and developments in the fight against VAT fraud?</p> <p>b. Do the cooperation tools from the Regulation address the needs of your organisation in terms of tackling VAT fraud?</p>
<p><i>EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office and the anti-money laundering authorities?</i></p>
<p>20. How do you respond to technological, scientific, social and legal developments that affect the fight against VAT fraud?</p> <p>21. What do you expect from the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package"?</p>
<p>Coherence</p>
<p><i>EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?</i></p>
<p>22. How do the cooperation tools under the Regulation complement/overlap with each other?</p>
<p>EU added value</p>
<p><i>EQ10: Is there additional value resulting from the Regulation compared to what could be achieved at the national level?</i></p>
<p>23. To what extent does the Regulation contribute to delivering results that otherwise could not be achieved on the national level</p>

Table A.8 Interview questionnaire - Customs Authorities and Eurofisc

<p>Effectiveness</p>
<p><i>EQ1: To what extent have the cooperation tools contributed to (general objectives) the fiscal consolidation within the Union, the fighting of VAT fraud, and the close cooperation between MS in the EU VAT area?</i></p>
<p>1. Has the Regulation contributed to fiscal consolidation (within your country)? In which way?</p> <p>a. Have there been changes in the VAT gap/ VAT tax revenues?</p> <p>2. Has the Regulation strengthened the fight against VAT fraud? In which way?</p> <p>a. Have there been changes in the estimated amount of VAT fraud detected (or prevented)?</p> <p>b. Have new modus operandi for VAT fraud and networks been identified?</p>

<p>3. Has the Regulation improved cooperation between the MS in the EU VAT area? In which way?</p> <p>a. Did it enhance information exchange? How?</p> <p>b. Has there been an increase in joint activities?</p>
<p><i>EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?</i></p>
<p>4. Have the cooperation tools from the Regulation contributed to better exploit the existing administrative cooperation instruments? In which way?</p> <p>5. Have the cooperation tools from the Regulation contributed to more rapid and more effective identification and dismantling of fraudulent networks related to VAT? In which way?</p> <p>6. Have the cooperation tools from the Regulation improved the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity? In which way?</p> <p>7. Have the amendments made in 2018 had an impact on the effectiveness of the Regulation?</p> <p>a. I.e. addition of article 7.4a (laying down the grounds based on which requested Member States can refuse information sharing requests)</p> <p>b. I.e. addition of article 28.2 (the provision of joint enquiries)</p> <p>c. I.e. changes to articles 33 – 37 (Eurofisc)</p>
<p><i>EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?</i></p>
<p>8. Which internal and external factors hindered or contributed to the delivery of results?</p> <p>a. Can you specify factors that affect certain cooperation tools?</p> <p>b. To which extent did COVID-19 affect the achievement of results?</p>
<p>Efficiency</p>
<p><i>EQ4: What are the costs and benefits for the different stakeholders concerned?</i></p>
<p>9. What are the (regulatory and administrative) costs for your organisation?</p> <p>10. What are the (regulatory and administrative) benefits for your organisation?</p> <p>11. Can you say something about the (regulatory and administrative) costs of the Regulation for economic operators/businesses?</p>
<p><i>EQ5: Are the benefits achieved at a reasonable cost?</i></p>
<p>12. Do the benefits of cooperation under the Regulation weigh up against the costs?</p> <p>13. Could the same results be achieved with lower costs or simpler procedures/ different implementation mechanisms? In which way?</p> <p>14. Could better results be achieved with an investment or improvements to procedures/ implementation mechanisms?</p>
<p><i>EQ6: To what extent did the financing provided under the Fiscalis programme limit the compliance costs for Member States and hence contribute to the achievement of the objectives?</i></p>
<p>15. If applicable, has your participation in the Fiscalis programme contributed to delivering results in the fight against VAT fraud? In which way?</p> <p>16. If applicable, has your participation in the Fiscalis programme contributed to reducing compliance costs associated with the Regulation? In which way?</p>
<p>Relevance</p>
<p><i>EQ6: To what extent do the initial objectives still correspond to current needs/issues?</i></p>
<p>17. Which trends and developments have you seen over the past years in the area of VAT fraud?</p> <p>a. Do the objectives of the Regulation respond to these trends and developments in the fight against VAT fraud?</p> <p>b. Do the cooperation tools from the Regulation address the needs of your organisation in terms of tackling VAT fraud?</p> <p>c. In which way can the objectives/cooperation tools be better aligned to needs within your organization/sector?</p>

<i>EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office and the anti-money laundering authorities?</i>
18. How do you respond to technological, scientific, social and legal developments that affect the fight against VAT fraud? a. In particular, how do you respond to developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as AML authorities and the European Public Prosecutor's Office?
19. What do you expect from the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package"?
Coherence
<i>EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?</i>
20. How do the cooperation tools under the Regulation complement/overlap with each other?
<i>EQ9: To what extent is the Regulation coherent with other EU Regulations with similar objectives (external)?</i>
21. How does the Regulation complement/overlap with other EU Regulations in the area of information exchange/fight against fraud?
EU added value
<i>EQ10: Is there additional value resulting from the Regulation compared to what could be achieved at the national level?</i>
22. To what extent does the Regulation contribute to delivering results that otherwise could not be achieved on the national level?
<i>EQ11: To what extent do the issues addressed by the Regulation continue to be addressed at the EU level?</i>
23. Should the issues addressed by the Regulation continue to be addressed at the EU level?
<i>EQ12: What would be the most likely consequences of terminating or withdrawing the Regulation?</i>
24. What would be the consequence of terminating or withdrawing the Regulation?

Table A.9 Interview questionnaire - TADEUS

Effectiveness
<i>EQ1: To what extent have the cooperation tools contributed to (general objectives) the (fiscal consolidation) within the Union, the fighting of VAT fraud, and the close cooperation between MS in the EU VAT area?</i>
1. Has the Regulation strengthened the fight against VAT fraud? In which way? a. Have there been changes in the estimated amount of VAT fraud detected (or prevented)? b. Have new modus operandi for VAT fraud and networks been identified?
2. Has the Regulation improved cooperation between the MS in the EU VAT area? In which way? a. Did it enhance information exchange? How? b. Has there been an increase in joint activities?
<i>EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?</i>
3. Have the cooperation tools from the Regulation contributed to better exploit the existing administrative cooperation instruments? In which way?
4. Have the cooperation tools from the Regulation contributed to more rapid and more effective identification and dismantling of fraudulent networks related to VAT? In which way?
5. Have the cooperation tools from the Regulation improved the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity? In which way?
6. Have the amendments made in 2018 had an impact on the effectiveness of the Regulation? a. I.e. addition of article 7.4a (laying down the grounds based on which requested Member States can refuse information sharing requests) b. I.e. addition of article 28.2 (the provision of joint enquiries) c. I.e. changes to articles 33 – 37 (Eurofisc)
<i>EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?</i>

7. Which internal and external factors hindered or contributed to the delivery of results? a. Can you specify factors that affect certain cooperation tools? b. To which extent did COVID-19 affect the achievement of results?
Relevance
<i>EQ6: To what extent do the initial objectives still correspond to current needs/issues?</i>
8. Which trends and developments have you seen over the past years in the area of VAT fraud? a. Do the objectives of the Regulation respond to these trends and developments in the fight against VAT fraud? b. Do the cooperation tools from the Regulation address the needs of your organisation in terms of tackling VAT fraud?
<i>EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office and the anti-money laundering authorities?</i>
9. What do you expect from the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package"?
Coherence
<i>EQ9: To what extent is the Regulation coherent with other EU Regulations with similar objectives (external)?</i>
10. How does the Regulation complement/overlap with other EU Regulations in the areas of information exchange/fight against fraud?
EU added value
<i>EQ11: To what extent do the issues addressed by the Regulation continue to require action at the EU level?</i>
11. Should the issues addressed by the Regulation continue to be addressed at the EU level?

Table A. 10 Interview questionnaire - Europol, EPPO, and OLAF

Effectiveness
<i>EQ1: To what extent have the cooperation tools contributed to (general objectives) the fiscal consolidation within the Union, the fighting of VAT fraud, and the close cooperation between MS in the EU VAT area?</i>
1. Has the Regulation strengthened the fight against VAT fraud? In which way? a. Have there been changes in the estimated amount of VAT fraud detected (or prevented)? b. Have new modus operandi for VAT fraud and networks been identified? c. Have there been more court cases and convictions?
<i>EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?</i>
2. Have the cooperation tools from the Regulation contributed to more rapid and more effective identification and dismantling of fraudulent networks related to VAT? In which way? 3. Have the cooperation tools from the Regulation improved the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity? In which way? 4. Have the amendments made in 2018 had an impact on the effectiveness of the Regulation? a. I.e. addition of article 7.4a (laying down the grounds based on which requested Member States can refuse information sharing requests) b. I.e. addition of article 28.2 (the provision of joint enquiries) c. I.e. changes to articles 33 – 37 (Eurofisc) 5. To what extent do the cooperation tools facilitate more/better joint risk analysis? a. Are possibilities for joint risk analysis between the CLO, Europol, OLAF and EPPO frequently used?

<ul style="list-style-type: none"> b. How would you assess the effectiveness of the joint risk analysis? <p>6. To what extent do the cooperation tools enhance the coordination capacity between the different stakeholders (CLO, Europol, OLAF and EPPO)?</p> <p>7. How would you assess the cooperation with Eurofisc?</p> <ul style="list-style-type: none"> a. In terms of operational cooperation? b. In terms of information exchange (on complex VAT fraud cases?)
<i>EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?</i>
<p>8. Which internal and external factors hindered or contributed to the delivery of results?</p> <ul style="list-style-type: none"> a. Can you specify factors that affect certain cooperation tools?
Efficiency
<i>EQ5: Are the benefits achieved at a reasonable cost?</i>
<p>9. Do the benefits of cooperation under the Regulation weigh up against the costs?</p> <p>10. Could the same results be achieved with lower costs or simpler procedures/ different implementation mechanisms? In which way?</p> <p>11. Could better results be achieved with an investment or improvements to procedures/ implementation mechanisms?</p>
Relevance
<i>EQ6: To what extent do the initial objectives still correspond to current needs/issues?</i>
<p>12. Which trends and developments have you seen over the past years in the area of VAT fraud?</p> <ul style="list-style-type: none"> a. Do the objectives of the Regulation respond to these trends and developments in the fight against VAT fraud?
<i>EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office and the anti-money laundering authorities?</i>
<p>13. What do you expect from the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package"?</p>
Coherence
<i>EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?</i>
<p>14. How do the cooperation tools under the Regulation complement/overlap with each other?</p>
<i>EQ9: To what extent is the Regulation coherent with other EU Regulations with similar objectives (external)?</i>
<p>15. How does the Regulation complement/overlap with other EU Regulations in the area of information exchange/fight against fraud?</p>
EU added value
<i>EQ11: To what extent do the issues addressed by the Regulation continue to require action at the EU level?</i>
<p>16. Should the issues addressed by the Regulation continue to be addressed at the EU level?</p>

Table A.11 Interview questionnaire - VAT Expert Group

Effectiveness
<i>EQ1: To what extent have the cooperation tools contributed to (general objectives) the fiscal consolidation within the Union, the fighting of VAT fraud, and the close cooperation between MS in the EU VAT area?</i>
<p>1. Has the Regulation contributed to fiscal consolidation (within your country)? In which way?</p> <ul style="list-style-type: none"> a. Have there been changes in the VAT gap/ VAT tax revenues? <p>2. Has the Regulation strengthened the fight against VAT fraud? In which way?</p> <ul style="list-style-type: none"> a. Have there been changes in the estimated amount of VAT fraud detected (or prevented)? b. Have new modus operandi for VAT fraud and networks been identified? <p>3. Has the Regulation improved cooperation between the MS in the EU VAT area? In which way?</p> <ul style="list-style-type: none"> a. Did it enhance information exchange? How? b. Has there been an increase in joint activities?
<i>EQ2: To what extent have the cooperation tools contributed to (specific objectives) to better exploit the existing administrative cooperation instruments in the field of fighting VAT-related fraud, to contribute to fighting VAT fraud through rapid and more</i>

<i>effective identification and dismantling of fraudulent networks related to VAT and to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity?</i>
<ol style="list-style-type: none"> 4. Have the cooperation tools from the Regulation contributed to better exploit the existing administrative cooperation instruments? In which way? 5. Have the cooperation tools from the Regulation contributed to more rapid and more effective identification and dismantling of fraudulent networks related to VAT? In which way? 6. Have the cooperation tools from the Regulation improved the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity? In which way? 7. Have the amendments made in 2018 had an impact on the effectiveness of the Regulation? <ol style="list-style-type: none"> a. I.e. addition of article 7.4a (laying down the grounds based on which requested Member States can refuse information sharing requests) b. I.e. addition of article 28.2 (the provision of joint enquiries) c. I.e. changes to articles 33 – 37 (Eurofisc)
<i>EQ3: Which internal and external factors (positively or negatively) affect the delivery of results and achievements of objectives?</i>
<ol style="list-style-type: none"> 8. Which internal and external factors hindered or contributed to the delivery of results? <ol style="list-style-type: none"> a. Can you specify factors that affect certain cooperation tools? b. To which extent did COVID-19 affect the achievement of results?
Efficiency
<i>EQ4: What are the costs and benefits for the different stakeholders concerned?</i>
<ol style="list-style-type: none"> 9. Can you say something about the (regulatory and administrative) costs of the Regulation for economic operators/businesses?
<i>EQ5: Are the benefits achieved at a reasonable cost?</i>
<ol style="list-style-type: none"> 10. Do the benefits of cooperation under the Regulation weigh up against the costs? 11. Could the same results be achieved with lower costs or simpler procedures/ different implementation mechanisms? In which way? 12. Could better results be achieved with an investment or improvements to procedures/ implementation mechanisms?
Relevance
<i>EQ6: To what extent do the initial objectives still correspond to current needs/issues?</i>
<ol style="list-style-type: none"> 13. Which trends and developments have you seen over the past years in the area of VAT fraud? <ol style="list-style-type: none"> a. Do the objectives of the Regulation respond to these trends and developments in the fight against VAT fraud? 14. Which suggestions for improvement do you see for the tools that currently exist?
<i>EQ7: To what extent are there adaptation mechanisms in place to follow technological, scientific, social and legal developments? In particular, regarding the developments in the juridical framework of bodies in charge of preventing and fighting fraud, such as, for instance, the European Public Prosecutor's Office and the anti-money laundering authorities?</i>
<ol style="list-style-type: none"> 15. What do you expect from the amendments introduced by Regulation (EU) 2020/283 and Directive (EU) 2020/285 that will come into force in 2024 and 2025 or by the initiatives that the European Commission is envisaging in the Action Plan for fair and simple taxation and in the "VAT in the digital age package"?
Coherence
<i>EQ8: To what extent are the different tools of the Regulation coherent among each other (internal)?</i>
<ol style="list-style-type: none"> 16. How do the cooperation tools under the Regulation complement/overlap with each other?
<i>EQ9: To what extent is the Regulation coherent with other EU Regulations with similar objectives (external)?</i>
<ol style="list-style-type: none"> 17. How does the Regulation complement/overlap with other EU Regulations in the area of information exchange/fight against fraud?
EU added value
<i>EQ11: To what extent do the issues addressed by the Regulation contribute to requiring action at the EU level?</i>
<ol style="list-style-type: none"> 18. Should the issues addressed by the Regulation continue to be addressed at the EU level?

EQ12: What would be the most likely consequences of terminating or withdrawing the Regulation?

19. What would be the consequence of terminating or withdrawing the Regulation?

Annex V: Bibliography

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Annex VI: Case study 1 – Eurofisc

Key takeaways

- Eurofisc is a network for the swift exchange, processing and analysis of targeted information on cross-border VAT fraud between MSs and for the coordination of any follow-up actions.
- Eurofisc is based on the following general principles. It is a voluntary and reciprocal network for information exchange and for strengthening cooperation between the MSs.
- Eurofisc has improved since the introduction of TNA in 2019. It appears from this case study that Eurofisc has been valued highly and is considered an effective, efficient, relevant and coherent tool with EU-added value. However, Eurofisc has not yet reached its full potential as some challenges regarding its effectiveness, efficiency, and coherence still exist.

This study presents a deep dive into the Eurofisc network under Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT (the Regulation). The objective of this case study is to better understand the Eurofisc network's performance in relation to the objectives of the Regulation. The structure of this report is as follows:

- Introduction to the tool
- Data collection approach
- Key findings
- Conclusions and areas for potential improvement

Introduction to the tool

Council Regulation (EU) No 904/2010 (hereinafter: the Regulation) establishes (mutual assistance) instruments, networks, rules and procedures for the purpose of combating cross-border VAT fraud. More specifically, the Regulation enables the competent authorities of the MSs to cooperate with each other, the European Commission, other EU institutions (e.g., Europol and OLAF) and third countries.¹⁰¹ One of the networks¹⁰² that facilitate the administrative cooperation between the MSs is Eurofisc. Eurofisc is 'a network for the swift exchange, processing and analysis of targeted information on cross-border fraud between MSs and for the coordination of any follow-up actions'.¹⁰³

Given the cross-border nature of VAT fraud, cooperation on the EU level is crucial, in particular, the EoI between MS tax authorities. MTIC fraud, the most common form of VAT fraud, is one of the EU's priority crime areas (EMPACT) under the 2022-2025 EU Policy Cycle and also has been a priority in the 2018-2021 policy cycle.¹⁰⁴ This type of VAT fraud is also known as Carousel fraud¹⁰⁵ (from now on, the term MTIC fraud will be used). The latest VAT Gap report published in 2022 found that MSs belonging to the EU27, in total, lost an estimated amount of EUR 93 billion in VAT revenues in 2020.¹⁰⁶ VAT fraud is furthermore closely linked to organised crime. Estimates suggest that EUR 40

¹⁰¹ See e.g., Article 1, Council Regulation (EU) 904/2010. The provisions regarding the relations with the European Commission and with third countries are respectively laid down in Chapter XIII and Chapter XIV, Council Regulation (EU) 904/2010.

¹⁰² Another network is, e.g., the CCN/CSI network. The CCN/CSI network is defined as: 'the common platform based on the CCN and CSI, developed by the Union to ensure all transmissions by electronic means between competent authorities in the area of customs and taxation.' Article 2 paragraph 1 section q Regulation 904/2010.

¹⁰³ Article 33 Regulation 904/2010. Chapter X Regulation 904/2010.

¹⁰⁴ Europol, *MTIC (Missing Trader Intra Community) fraud*, consulted via: <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>.

¹⁰⁵ Eurofisc, Annual report 2021, p. 4

¹⁰⁶ European Commission, Directorate-General for Taxation and Customs Union, Poniatowski, G. et al., 'VAT gap in the EU: report 2022', Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2778/109823>.

– 60 billion of the annual VAT revenue losses can be attributed to organised crime groups.¹⁰⁷ Eurofisc allows for EoI between the EU MSs and Europol and OLAF, which provides those authorities and institutions information to combat organised crime committing VAT fraud.

Even though the Regulation seems to provide sufficient legal ground for the MSs to be engaged in different types of administrative cooperation and financial support for the joint action provided by the Fiscalis-programme,¹⁰⁸ earlier reports demonstrate that the MSs do not sufficiently make use of the opportunities provided¹⁰⁹ and responses are slow.¹¹⁰ Therefore, this case study strives to better understand the Eurofisc network's performance in relation to the objectives of the Regulation.

Data collection approach

To provide a description of the current functioning of Eurofisc, its strengths, and weaknesses, as well as room for improvement, insights were collected via desk research and stakeholder interviews (with, amongst others, national central liaison officers of Eurofisc, inspectors of various MSs, representatives of the Standing Committee of Administrative Cooperation (SCAC), inspectors at national customs authorities, EPPO officials, OLAF officials and members of the VAT Expert Group)). During targeted surveys and in-depth interviews, specific questions were asked about the experiences with Eurofisc and to what extent this tool is deemed effective, efficient, relevant, and coherent with other tools under the Regulation and of EU added value. Data are derived from primary and secondary sources.¹¹¹

Key findings

This section presents the results of this case study. After evaluating the functioning of the Eurofisc network, the strengths and weaknesses surrounding this network will be described.

The functioning of the Eurofisc network

The Eurofisc network was established in 2010 by the Regulation to enhance EU capability in combatting organised VAT fraud.¹¹² At that time, the fight against VAT MTIC fraud showed that a faster, more comprehensive and targeted EoI was needed to fight VAT fraud more efficiently and effectively. A coordinated strategy was meant to avoid loss of revenue for budgets of the EU MSs and prevent distortions in the movement of capital that could influence the internal market.¹¹³ Therefore, the Eurofisc network was established to promote and facilitate multilateral and decentralised cooperation to fight specific types of VAT fraud quickly and in a targeted manner at the

¹⁰⁷ European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More action needed', 2015, 24, p. 9.

¹⁰⁸ European Commission, 'Mid-term Evaluation of the Fiscalis 2020 Programme – Final report', 2019, p. 6.

¹⁰⁹ Report on the application of Regulation (EEC) 218/92 (Second art. 14 Report), COM (96) 681, p. 11; Report on the application of Regulation (EEC) 218/92 (Third art. 14 Report), COM (2000) 28, p. 21; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, pp. 9 and 11. See also: Wolf, R.A., 'Carrouselfraude (Carousel Fraud)', The Hague: SDU 2010, section 4.10.

¹¹⁰ Report on the application of Regulation (EEC) 218/92 (Third art. 14 Report), COM(2000) 28, p. 7; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, p. 4. According to this report deadlines are missed and the aggregate number of late replies have reached an unacceptable level of approximately 43%. MSs are not informed about the reasons for late replies. See also: European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More Action needed', 2015, 24, p. 9.

¹¹¹ E.g., laws, regulations and administrative provisions, procedures and protocols of general applicability, policy and other regulatory documents, monitoring and assessment reports, studies, progress reports and strategic policy documents of the European Commission and relevant EU agencies, academic research and think tank publications, interviews, focus groups and targeted consultation (online surveys).

¹¹² European Commission Taxation and Customs Union, 'VAT and Administrative Cooperation', https://ec.europa.eu/taxation_customs/taxation-1/vat-and-administrative-cooperation_en.

¹¹³ Council Regulation (EU) 904/2010, recitals 2, 3 and 18.

EU level.¹¹⁴ It should be highlighted in this regard that Eurofisc is a network and not a State Body or Institution. Therefore, data can only be exchanged on behalf of the MSs by competent officials.

The multilateral decentralised Eurofisc network is based on the following general principles. It is a voluntary and reciprocal network for information exchange and for strengthening cooperation between the MSs.¹¹⁵ Eurofisc consists of different working fields for each type of VAT fraud, which requires specific cooperation and specific expertise.¹¹⁶ It is not mandatory for the MSs to participate in each of the Eurofisc working fields. However, when a Member State participates in one of the working fields, the principle of reciprocity, i.e., the obligation to provide information, applies.¹¹⁷

Eurofisc has no legal personality. The organisation of Eurofisc is a network of liaison officers. The network comprises VAT fraud experts from the participating MSs and Norway, working in different areas of VAT fraud risk. This network is steered by coordinators, with the network being overseen by a committee, which consists of representatives of the participating MSs.¹¹⁸ Liaison officers neither have authority over the liaison officers of other participating MSs nor do they have authority over the centralisation of information exchanged.¹¹⁹

The Eurofisc network functions as an alert network for the early detection of risk traders.¹²⁰ Furthermore, it coordinates information exchanges between MS tax administrations, including spontaneous EoI, EoIR, AEOI, administrative enquiries carried out jointly and simultaneous controls.¹²¹ The Eurofisc network is also building capacity for risk analysis at the EU level.¹²² In this context, Eurofisc has the mandate to work on joint processing and analysis of data. Additionally, its mandate includes coordinating follow-up actions (FuAs) if, based on the exchanged information, different MSs need to act collectively.¹²³ FuAs are part of Eurofisc since 2018. The difference with Multilateral Cooperation (MLCs) is that FuAs are much faster (e.g., information is rapidly shared between different MSs) and focus on concrete cases, whilst MLCs are useful for mapping the complete chain.

With respect to facilitating information exchanges between MSs, it is important to stress that Eurofisc experts have access to TNA. TNA is an automated data mining tool that links MSs' tax IT platforms. In this way, information on cross-border transactions and transactions where there is a suspicion of VAT fraud can be accessed and reported quickly and easily. Eurofisc officials can cross-check information with criminal records, databases and information from Europol and OLAF.¹²⁴ After the information is exchanged within the Eurofisc network and analysed, Eurofisc liaison officers can take appropriate action at the national level. This could include requests for more information, performing audits or deregistration of VAT numbers.¹²⁵ The TNA core software is developed by the European Commission, which still provides hosting. The MSs are exclusively handling the maintenance and

¹¹⁴ Council Regulation (EU) 904/2010, recital 18; Raad van de Europese Unie, 'Nota: betreffende de bestrijding van btw-fraude – Eurofisc', 11714/08, 2008, p. 1.

¹¹⁵ Raad van de Europese Unie, 'Nota: betreffende de bestrijding van btw-fraude – Eurofisc', 11714/08, 2008, p. 2.

¹¹⁶ Idem, p. 3.

¹¹⁷ Idem, p. 4.

¹¹⁸ Idem, p. 2 and 3.

¹¹⁹ Idem, p. 3.

¹²⁰ Idem, p. 2.

¹²¹ European Commission Taxation and Customs Union, 'VAT and Administrative Cooperation', https://ec.europa.eu/taxation_customs/taxation-1/vat-and-administrative-cooperation_en.

¹²² Raad van de Europese Unie, 'Nota: betreffende de bestrijding van btw-fraude – Eurofisc', 11714/08, 2008, p. 2.

¹²³ European Commission Taxation and Customs Union, 'VAT and Administrative Cooperation', https://ec.europa.eu/taxation_customs/taxation-1/vat-and-administrative-cooperation_en.

¹²⁴ Wahl, T. 'New Data Mining Tool to Combat VAT Fraud', Eucrium, <https://eucrium.eu/news/new-data-mining-tool-combat-vat-fraud/>.

¹²⁵ European Commission Taxation and Customs Union, 'VAT and Administrative Cooperation', https://ec.europa.eu/taxation_customs/taxation-1/vat-and-administrative-cooperation_en.

development of data analysis algorithms, which requires a significant effort of scarce human resources with data analysis skills and specific knowledge of tax fraud.¹²⁶

As stated, Eurofisc consists of different working fields for each type of VAT fraud, which requires specific cooperation and specific expertise.¹²⁷ The first Eurofisc working field is the *fight against MTIC fraud*. This first working field encompasses all the provisions relating to MTIC fraud, but also to kinds of fraud that do not fit in other working fields.¹²⁸ Within this first working field, warning letters are distributed to share targeted information outside of the structured data exchange when a potential VAT fraud case could harm the budgets of the participating MSs.¹²⁹ TNA is linked to this first working field, and it allows the Eurofisc liaison officials¹³⁰ to cross-check information with criminal records and coordinate cross-border investigations.¹³¹ In the future, TNA may also be linked to the second and third working fields.¹³²

The second Eurofisc working field is the *fight against VAT fraud with means of transport* (i.e., cars, boats and planes), and the third Eurofisc working field is the *fight against VAT fraud related to the abuse of Customs procedure 42*¹³³. Within these working fields, MSs share information and experiences with each other, but they also involve customs experts.¹³⁴ The fourth Eurofisc working field is the *VAT Observatory*. The main purpose of this working field *'is to exchange information, knowledge and results from national risk analysis regarding new trends and new typologies, early warnings, and to function as a study centre in which best practices, new methods for the prevention, detection and fight against VAT fraud are shared.'*¹³⁵ Within this working field, new trends, fraud developments and risks are identified and examined. No information on specific economic operators is exchanged within this working field.¹³⁶

The fifth Eurofisc working field is the *fight against VAT fraud in the e-commerce sector*. As the VAT package for e-commerce is relatively new, the activities within this fifth working field consist first of all of knowledge acquisition and sharing.¹³⁷ Additionally, this working field aims to mobilise new sources of information made available by the VAT e-commerce package to detect potential fraud.¹³⁸ The fifth Eurofisc working field is facing a game changer because of the implementation of the CESOP as of 2024¹³⁹. Fulfilling the conditions set, CESOP will enable all cross-border electronic payment data

¹²⁶ Annex to the Commission Implementing Decision on the financing of the Fiscalis programme and the adoption of the work programme for 2021, 2022 and 2023, C(2021) 4781 final, p. 7.

¹²⁷ Raad van de Europese Unie, 'Nota: betreffende de bestrijding van btw-fraude – Eurofisc', 11714/08, 2008, p. 3.

¹²⁸ Butu, I. and Brezeanu, P., 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future, 22/2020, p. 96.

¹²⁹ Eurofisc, Annual report 2021, p. 4

¹³⁰ In 2019, the following countries participated: Belgium, Austria, France, Hungary, Italy, Spain, the Netherlands. Fiscalis 2020 Programme Progress Report 2019, SWD(2020) 402 final, p. 24.

¹³¹ Butu, I. and Brezeanu, P., 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future, 22/2020, p. 96.

¹³² European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 35. See also: European Parliament, CONT Committee, 'Protection of EU financial interest on customs and VAT: Cooperation of national tax and customs authorities to prevent fraud', 2019, p. 71.

¹³³ 'Customs procedure 42 is a mechanism an EU importer uses in order to obtain a VAT exemption. It is applied when goods imported from outside the EU into a Member State will be transported to another Member State where an intra-Community acquisition needs to be reported. In such cases, the VAT is due in the latter - the Member State of destination'. European Court of Auditors, 'ECA issues special report No 13/2011 on whether the control of customs procedure 42 prevents and detects Value Added Tax (VAT) evasion', 2011, https://ec.europa.eu/commission/presscorner/detail/en/ECA_11_47.

¹³⁴ Eurofisc, Annual report 2021, pp. 16, 17 and 21.

¹³⁵ Idem., p. 23.

¹³⁶ Butu, I and Brezeanu, P., 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future 22/2020, p. 96.

¹³⁷ Eurofisc, Annual report 2021, p. 25.

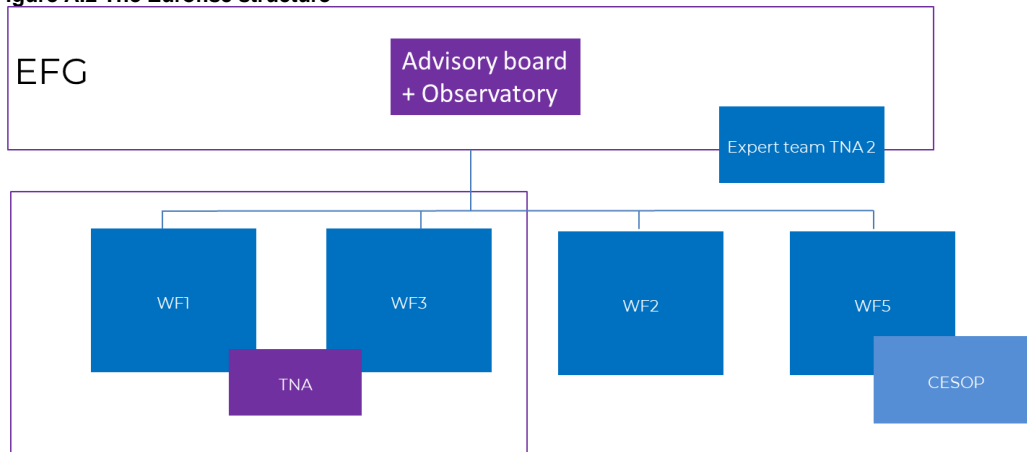
¹³⁸ Idem., p. 26.

¹³⁹ A set of rules for the facilitation of the detection of tax fraud in cross-border e-commerce transactions, the EU Council adopted, on 18 February 2020, a new set of rules, i.e. the Council Directive (EU) no. 2020/284 of 18 February 2020 amending Directive 2006/112/EC as regards introducing certain requirements for payment service providers (PSP) and Council Regulation (EU) no. 2020/283 of 18 February 2020 amending Council Regulation (EU) no. 904/2010 as regards

declared by payment service providers to be listed. It will be available to all Eurofisc liaison officials of the MSs that are participating in the fifth working field as a massive database and also as an analysis tool for targeting risky transactions.¹⁴⁰ Furthermore, the fifth working field established a subgroup that focuses on examining VAT fraud risks related to digital services.¹⁴¹

The described structure of Eurofisc underwent a significant change at the end of 2021. The third working field has been integrated into WF 1 and has ceased to exist as a separate working field.¹⁴² Some of the objectives of the third working field were adopted by *'integrating the available data ... in TNA and by carrying out ad hoc analyses such as a monthly evaluation of importers in connection with fraud and monitoring of suspicious routes. This integration allows MSs to better assess customs operators and provide useful statistics on CP42 fraud.'*¹⁴³ Additionally, as of 1 January 2022, the fourth working field has been dissolved. For this WF, a *study centre* was created led by a person that works directly for the Eurofisc Group. *'An action plan has been set up with a strong focus on monitoring trends and typologies. Furthermore, several steps will be undertaken to strengthen the network and to involve all representatives to reinforce the trends and typologies monitoring by the MSs.'*¹⁴⁴ The mandates of working fields 1, 2 and 5 have been extended until 20 August 2023. The new Eurofisc structure is represented in Figure A.2.

Figure A.2 The Eurofisc structure



The following MSs participated in 2020 in the WFs:¹⁴⁵

- WF 1: All MSs participate. In addition, also Norway and the United Kingdom¹⁴⁶ are members.
- WF 3¹⁴⁷: All MSs, except Germany and Finland, participate. In addition, also Norway and the United Kingdom are members.
- WF 2: All MSs, except Ireland, Malta, and Poland, participate. In addition, also the United Kingdom is a member.
- WF 5: All MSs, except Poland, participate. In addition, also Norway is a member.

measures to strengthen administrative cooperation in order to combat VAT fraud. The Directive and Regulation shall apply from 1 January 2024.; Eurofisc, Annual report 2021, p. 26.

¹⁴⁰ Eurofisc, Annual report 2021, p. 26.

¹⁴¹ Ibid.

¹⁴² Eurofisc, Annual report 2021, p. 22.

¹⁴³ Idem., p. 3.

¹⁴⁴ Ibid.

¹⁴⁵ Eurofisc, Annual report 2021, pp. 8, 23, 34 and 47. Unfortunately, similar statistics have not been presented in Eurofisc's Annual Report for 2021.

¹⁴⁶ 'Participating countries to WF1 are 28 MS [27 MS and United Kingdom] and Norway, [...]. Moreover, on 31 January 2020, the Brexit transition period started, and this allowed United Kingdom to still actively participate at WF1 operational activities in 2020. Their exclusion from the Eurofisc network was definite from 1 January 2021'. Idem., p. 8.

¹⁴⁷ Working field 3 is not operating anymore because it was integrated in WF 1.

The strengths of the Eurofisc network and the challenges it has faced over the years

While the Eurofisc network has its strengths, it has also faced challenges during its existence. In 2015, the European Court of Auditors did a survey on the functioning of the Eurofisc.¹⁴⁸ A key finding from this survey is that MSs considered the Eurofisc network a promising forum for cooperation on the EU level in the fight against VAT fraud.¹⁴⁹ However, according to that same survey, the Eurofisc system was also lacking in some aspects. This includes the following examples: data exchanges do not occur frequently enough, are slow and are not sufficiently precise and targeted. Exchanging data through the Eurofisc network is furthermore not considered user-friendly, and not all MSs participate in all Eurofisc working fields.¹⁵⁰

The introduction of TNA in 2019 already (partially) improved these weaknesses, for example, by introducing advanced data analytics, enhancing IT facilities for the collection and the EoI, and improving the ability of MSs to share data and to qualify traders identified by Eurofisc.¹⁵¹ However, the European Parliament repeated in a study in 2019¹⁵² the earlier conclusions of the Commission and European Court of Auditors¹⁵³, i.e., that *interviews with tax authorities in various MSs indicate that national authorities value Eurofisc highly and consider it an efficient cooperation channel and a great example of progress in tackling fraud*¹⁵⁴ but that, at the same time, *'Eurofisc has not yet reached its full potential'*.¹⁵⁵

Since 2019, not only has VAT legislation changed, which requires further cooperation and thus further use of tools as offered by the Regulation, but MSs are also increasingly dealing with digitalisation and technological developments. The following sections will be discussed whether Eurofisc is considered effective and efficient, relevant to current and emerging needs, coherent with other tools under the Regulation, and has achieved EU-added value.

As mentioned in the section on the data collection approach, the evaluation is based on the results of various stakeholder interviews with, among others, national central liaison officers of Eurofisc, inspectors of various MSs, representatives of the Standing Committee of Administrative Cooperation (SCAC), inspectors at national customs authorities, EPPO officials, OLAF officials and members of the VAT Expert Group.

Effectiveness

Evaluation description
Effectiveness Effectiveness concerns the extent to which Eurofisc achieved the Regulation's objectives and generated the benefits it was intended to produce. For example, it is effective if Eurofisc has

¹⁴⁸ European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More action needed', 2015, 24.

¹⁴⁹ Ibid.; Butu, I., and Brezeanu, P. 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future, 22/2020, p. 96.

¹⁵⁰ European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More action needed', 2015, p. 26; European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 46.

¹⁵¹ Butu, I., and Brezeanu, P., 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future, 22/2020, pp. 96-97; European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 46; European Parliament, CONT Committee, 'Protection of EU financial interest on customs and VAT: Cooperation of national tax and customs authorities to prevent fraud', 2019, p. 67.

¹⁵² European Parliament, CONT Committee, 'Protection of EU financial interest on customs and VAT: Cooperation of national tax and customs authorities to prevent fraud', 2019.

¹⁵³ European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More action needed', 2015, 24, p. 17; Impact Assessment accompanying the Amendment for a Council Regulation Amending Regulation (EU) 904/2010, SWD(2017) 428 final, p.15.

¹⁵⁴ European Parliament, CONT Committee, 'Protection of EU financial interest on customs and VAT: Cooperation of national tax and customs authorities to prevent fraud', 2019, p. 67.

¹⁵⁵ Idem., p. 66.

Evaluation description

yielded results in terms of reducing VAT fraud and ultimately contributed to the fight against organised crime.

Generally, Eurofisc is considered a very important and effective tool in the fight against VAT fraud.¹⁵⁶ It allows for the smooth sharing of information and is a good way of getting a first ‘picture’ of the situation. With Eurofisc, and more specifically TNA, fraudulent traders can be detected and stopped at an early stage due to early identification of possible VAT fraud activities. TNA gives a first glance at what kind of trader and network a Member State is dealing with. MSs can also get an idea of which other MSs to include in the FUAs. From there, a Member State can take further decisions on which administrative cooperation tools to use and which information to gather.

In particular, Eurofisc's early warning network, where direct risk signals can be exchanged between MSs at an early stage while these cannot yet be matched with a declaration at that moment, is considered important. Early checks after an early warning signal can prevent fraud or limit losses. It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that, in general, all of the five Eurofisc working fields are considered an effective early warning tool that improves the collection of VAT on intra-EU transactions. Furthermore, it appears from this online survey that Eurofisc is, in general, considered to be, to a (very) large extent, useful to better fight VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT. The more specific results are included in the Table below.

Table A.12 Effectiveness

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	We do not participate in this Working Field
<i>To what extent do you agree that Eurofisc is an effective early warning tool that improves the collection of VAT on intra-EU transactions? (n=21¹⁵⁷)</i>						
Eurofisc (in general)	13	8	0	0	0	0
Working Field 1 - Missing Trader Intra-Community (MTIC) fraud	17	4	0	0	0	0
Working Field 2 - Cars	9	10	0	0	0	2
Working Field 2 - Boats and planes	5	6	5	0	0	5
Working Field 3 - Customs Procedure No 42 (CP42)	11	7	0	0	0	3
Working Field 4 - Observatory	9	10	2	0	0	0
Working Field 5 e-commerce	11	8	2	0	0	0

Over the years, there have been several challenges regarding the functioning of Eurofisc that have largely been resolved with the introduction of TNA in 2019. After the introduction of TNA, procedures within Eurofisc are done automatically, making it faster and allowing analysts to do a better job. The tool gives correct, targeted, accurate, and up-to-date information. The data is elaborated by a special team and made available in a database of local units. FUAs are also considered successful. In these,

¹⁵⁶ See also: European Parliament, Study requested by the CONT Committee, Protection of EU financial interest on customs and VAT: Cooperation of national tax and customs authorities to prevent fraud, March 2019, p. 61 and 62.

¹⁵⁷ Although 25 Central Liaison Officers filled in the Survey, only 21 of them answered the questions on Eurofisc.

information is shared very quickly between different MSs, allowing fraud to be stopped more quickly by allowing quick actions to be taken. This is a big difference from MLCs, where the process is much slower because there is less of a focus on concrete cases, and fraud has to be detected first. Furthermore, Eurofisc is considered effective due to its network of experts. Experts from MSs meet together in their fields of expertise. Each working field consists of true experts of MSs on this topic. The strong expertise of people working within Eurofisc enhances cooperation within the network. Eurofisc increases bilateral information exchanges between MSs. The fact that true experts on a topic collaborate within Eurofisc involves that these experts know each other and, more importantly, also know how to find each other. As a result, a lot of resources are saved with respect to finding the right contact person in each Member State.

However, there are some challenges for the Eurofisc network as well. One of the main challenges being discussed within the Eurofisc network is the lack of quick requalification of dubious fraud cases. This is a real problem as it results in time wasting, and 80% (by volume) of dubious cases turn out to be fraudsters, in fact.¹⁵⁸ Another example is timing. Timing can be an issue not only with providing information but also with responding to signals and providing feedback on the information received. TNA information is considered complete but slow due to the frequency of information updates, and, therefore, Eurofisc is less effective for targeting networks or companies with high risk.

Additionally, the fact that participation in Eurofisc is voluntary could hamper the effectiveness of the Eurofisc tool because the success of Eurofisc (including TNA) relies on the MSs to participate actively.¹⁵⁹ Not all of the MSs are participating in all of the working fields of the Eurofisc network and/or TNA.¹⁶⁰ As a consequence, MSs cannot always rely on the information provided by Eurofisc because it is not always complete or even information is strategically withheld. When a Member State is not participating in Eurofisc, no data is collected by the TNA regarding businesses that are active in that particular Member State.¹⁶¹ However, some MSs actually see the voluntary nature of the Eurofisc network and the informal contact between liaison officers as a strength and want to keep it this way. They see the flexibility of participation in Eurofisc is seen as necessary, and more formality and bureaucracy would slow down the process even more. Others advocate institutionalising Eurofisc. Currently, Eurofisc has no legal personality, so it cannot make decisions independently and cannot sign certain agreements. All decisions depend on the vote of MSs. Besides, decisions within the Eurofisc network are (in practice) taken by consensus. This means that it can sometimes take a long time for decisions to be taken, and sometimes, no decision is taken at all. Furthermore, a lack of effectiveness is perceived when it comes to cooperation with Europol and other institutions. This is discussed in more detail in the section about *coherence*.

It is furthermore important to stress that there is a difference in effectiveness between the working fields within Eurofisc. The first three operational working fields (of which the third is no longer operational) within Eurofisc base their activities, in particular on the use of the VIES database. This massive database contains records of intra-Community B2B (business-to-business) transactions. Unlike these working fields, the fifth working field does, at this moment, neither have any database for monitoring cross-border B2C (business-to-consumer) transactions nor an analysis tool. As a result, information exchanges within the fifth working field do not yet have the same systematic and massive character as in Eurofisc's other operational working fields. However, the fifth working field does have the ambition to become a massive network for the EoI that allows for an effective fight

¹⁵⁸ Eurofisc, Annual report 2021, p. 13.

¹⁵⁹ European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 34

¹⁶⁰ For example, not all MSs have joined the TNA or the TNA expert team that is established to group the MS' resources to assist the European Commission in the development of the TNA software. Germany and Slovenia have not joined TNA as full members, but are observers. Impact Assessment accompanying the Amendment for a Council Regulation Amending Regulation (EU) 904/2010, SWD(2017) 428 final, p. 38. Only the following MSs are participating in the TNA expert team: Belgium, Croatia, France, Hungary, Poland, the Netherlands. Fiscalis 2020 Programme Progress Report 2019, SWD(2020) 402 final, p. 28.

¹⁶¹ European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 35.

against fraud in e-commerce. The introduction and further development of CESOP will improve this situation because CESOP is a comprehensive database that will become operational in 2024.¹⁶²

In the context of Eurofisc, the VAT in the Digital Age proposals¹⁶³ regarding the introduction of DRR for intra-Community and domestic transactions are expected to have a valuable impact on the effectiveness of the Eurofisc network. It is expected that the detection and wider identification of both cross-border and domestic VAT fraud will be enhanced. Enriching the TNA and VIES tools with these data will open new possibilities to MSs, especially those not currently having VAT DRR in place.

Efficiency

Evaluation description
<p>Efficiency</p> <p>Efficiency concerns, for example, the ratio of the overall costs and benefits for the different stakeholders involved. The costs, such as FTE or financial resources, are, for example, weighed against the benefits in terms of preventing VAT fraud.</p>

Eurofisc is considered a well-functioning tool. The use of Eurofisc has led to a decrease in the EoI (requests) because MSs can receive and check information from Eurofisc. However, Eurofisc needs more time to become more useful. Investments can be made in connecting Eurofisc with other systems and real-time information. Furthermore, there have been some challenges with the early warning messages, which influenced the efficiency of Eurofisc. However, there is a clear development in terms of quality. Overall, Eurofisc is considered efficient (i.e. the benefits created by the Regulation are greater than the costs). It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that the benefits of using Eurofisc are considered to a (very) large extent to outweigh possible regulatory and administrative costs.

Table A.13 Efficiency

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
<i>Please indicate to which extent the benefits of using the following tools outweigh possible regulatory and administrative costs. (n=25)</i>						
Eurofisc	0	0	0	8	14	3

Unfortunately, there is no data available to track regulatory costs and benefits related to the Regulation or, more specifically, the Eurofisc tool. Furthermore, costs appear difficult to quantify due to the differentiations between costs for the MSs and costs for the EU, as some costs are partly borne by the EU budget.

Although an estimate of the costs of implementing the Regulation cannot be provided, these costs are high — financial and non-financial. Expenditure is mainly related to the development, upgrading and maintenance of the European Information Systems and the related data collection systems, as well as the updating of the legal base and the internal rules and procedures of administration, and the practical implementation of the various forms of cooperation provided for in the Regulation. Furthermore, it appears that finding sufficient staff is and remains a constant challenge for the MS. Hence, additional FTE (especially IT personnel) forms a main cost category for the MSs.

¹⁶² Eurofisc, Annual report 2021, pp. 25-26.

¹⁶³ European Commission, 'VAT in the Digital Age', https://taxation-customs.ec.europa.eu/taxation-1/value-added-tax-vat/vat-digital-age_en

Like the costs, the tangible and intangible, direct and indirect benefits of the application of the Regulation could hardly be assessed. However, in general, the benefits are considered to outweigh the costs. Fighting the dominance of (organised) crime is considered more important than numerical loss. Administrative cooperation has significantly contributed to the control function of tax administrations for the correct assessment of VAT in intra-Community trade in goods and services, as well as combating and counteracting VAT fraud. The TNA tool, for example, allows swift and early identification of potential cross-border VAT fraud cases safeguarding MSs' revenues in much larger amounts than investments made.

Relevance

Evaluation description
<p>Relevance</p> <p>Relevance concerns the alignment of the original objectives of the Regulation with the current needs and problems of stakeholders and the EU as a whole with regard to Eurofisc. This evaluation criterion checks whether the rationale underlying Eurofisc is still appropriate or requires a revision so as to take into account changing needs and problems. For example, if Eurofisc still fills gaps in terms of required collaboration to tackle VAT fraud.</p>

Eurofisc is considered a relevant tool for the swift and targeted EoI on potential risky traders across the EU for further identification of VAT fraud cases. It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that:

- Eurofisc, in general, is considered to be a tool that aligns well with current needs for addressing VAT problems.

More specifically, the survey follows as well that Eurofisc also addresses more specific needs in the tackling of VAT fraud:

- Eurofisc, in general, is considered, to a (very) large extent, useful to better exploit existing administrative cooperation instruments in the field of fighting VAT-related fraud.
- Eurofisc, in general, is considered, to a (very) large extent, useful to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity.

Table A.14 Relevance

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
<i>Please indicate whether the different cooperation tools align with the need to address VAT fraud problems. (n=25)</i>						
Eurofisc	0	0	0	9	15	1
<i>To what extent were the following cooperation tools useful to better exploit existing administrative cooperation instruments in the field of fighting VAT-related fraud? (n=25)</i>						
Eurofisc	0	0	1	4	19	1
<i>To what extent were the following cooperation tools useful to improve the multidisciplinary approach to fighting and preventing VAT-related fraud through swifter and more coordinated reaction capacity? (n=25)</i>						
Eurofisc	0	0	2	8	14	1

TNA is especially considered relevant as it can discover more fraud in a more effective way and ensures the possibility for all MSs to benefit from centrally performed risk analysis and use its results in a more efficient way. In comparison to requests for information, Eurofisc ensures the involvement of officials specialised in cross-border fraud cases and provides a faster exchange of necessary

evidence. The Eurofisc network might be the best network to tackle VAT fraud issues (and thus avoid loss of revenue for the budgets of EU MSs and prevent distortions of the internal market) because of the involvement of officials specialised in cross-border fraud cases, who also have some experience with new fraudulent schemes, and new technologies (i.e., TNA and CESOP). The rationale underlying Eurofisc (i.e., promoting and facilitating multilateral and decentralised cooperation to fight VAT fraud quickly and in a targeted manner at the EU level) is still considered appropriate.

Collecting data on cross-border payments and the new CESOP system will further strengthen the capacity of Eurofisc to identify possible fraud cases. Furthermore, the proposals of VAT in the Digital Age¹⁶⁴ regarding the introduction of DRR for intra-Community and domestic transactions will have a valuable impact on the detection and wider identification of both cross-border and domestic VAT fraud. Enriching the TNA tool with these data will open new possibilities to MSs, especially those not currently having DRR in place.

Coherence

Evaluation description
<p>Coherence</p> <p>Coherence concerns the degree to which the various tools available under the Regulation are consistent with each other and/or create synergies, discrepancies, and overlaps. The compatibility of the different tools under the Regulation is, for example, analysed.</p>

Although the administrative cooperation instruments under the Regulation are clearly distinct in nature and procedure, they are considered very flexible and can co-exist. They complement each other according to the purposes for which they are used and the stage at which they are to be used. For example, Eurofisc uses the databases of VIES and VOW (VIES on the Web) to collect data via TNA.¹⁶⁵ Subsequently, Eurofisc interactions in a given case or cases may trigger the use of information exchange between MSs or can start an administrative enquiry jointly carried out with another MS.

It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that Eurofisc is, in general, considered to a (very) large extent to be coherent with other tools for administrative cooperation in the fight against VAT fraud.

Table A.15 Coherence

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
<i>Please indicate the extent to which the different cooperation tools work well together or not in the fight against VAT fraud. (n=25)</i>						
Eurofisc	0	0	0	9	15	1

Eurofisc has some overlap with other instruments under the Regulation, for example, the Standard Forms, which are used to exchange information between the MSs. However, all the current instruments have their own function and are useful for the fight against cross-border VAT fraud. There is no need to cancel any instruments, nor do any new instruments make 'older instruments' become redundant. Rather, the newer instruments that have recently been added (such as TNA) should be

¹⁶⁴ See: European Commission, 'VAT in the Digital Age', https://taxation-customs.ec.europa.eu/taxation-1/value-added-tax-vat/vat-digital-age_en

¹⁶⁵ Butu, I. and Brezeanu, P. 'Fighting VAT Fraud through Administrative Tools in the European Union', Finance—Challenges of the Future, 22/2020, p. 97; European Parliament, TAX3 Committee, 'VAT Fraud - Economic impact, challenges and policy issues', 2018, p. 34.

understood as an additional layer. The fact that some instruments, like the Standard Forms, are currently being used less than before¹⁶⁶ does not mean that they are redundant. In contrast, Eurofisc makes exchanges of information (via Standard Forms) more effective. More general information is exchanged faster through Eurofisc. If MSs need more refined information, they can still opt for the information requests via the Standard Forms. Eurofisc is used to get a first picture, after which, if necessary, an information request (via Standard Forms) or request for simultaneous control takes place. Eurofisc serves in this context as an efficient pre-alert that, for instance, through the TNA tool, identifies potential VAT fraud at an early stage.

The Regulation provides for the legal framework to cooperate with OLAF and Europol. However, there is a discrepancy in the cooperation between Eurofisc, on the one hand, and OLAF and Europol, on the other hand. Due to a procedural gap, OLAF and Europol cannot (always) use Eurofisc data. The reason is that OLAF and Europol can only receive Eurofisc data after all of the participating MSs of the specific Eurofisc working field accept that this information is shared with OLAF and/or Europol. This may result from the wording of Article 36 of the Regulation and Article 49 section 2a of the Regulation.

Article 36 of the Regulation states: *'Eurofisc working field coordinators may request relevant information from the European Union Agency for Law Enforcement Cooperation ('Europol') and the European Anti-Fraud Office ('OLAF'). For this purpose and as agreed by the working field participants, they may send them as much information as necessary in order to receive the requested information.'*

Article 49 section 2a of the Regulation states: *'The Member States may communicate to OLAF relevant information to enable it to consider appropriate action in accordance with its mandate. Where that information was received from another Member State, the latter may require that the transmission of the information be subject to its prior agreement.'*

Based on these articles, MSs may communicate with Europol and OLAF as agreed by the working field participants, with the result that many MSs do not always involve Europol or OLAF. The wording of these Articles is considered to be too vague and does not show any intention of cooperation. The same is considered to apply to TNA. TNA is a good system, but just as is the case with cooperation with Europol and OLAF, the problem is that it is voluntary.

Furthermore, based on Article 55 of the Regulation, the information that is exchanged via Eurofisc shall be confidential. *'Information communicated or collected in any form pursuant to the regulation shall:*

- Be covered by the obligation of official secrecy;
- Enjoy the protection extended to similar information under the national law of the MSs, which received may be used for the purpose of establishing the assessment base;
- The information exchanged can subsequently be used directly in a criminal investigation.¹⁶⁷

Due to the confidentiality of the information exchanged via Eurofisc and the fact that the Regulation does not provide for a legal framework for cooperation with the EPPO, there is a challenge in the cooperation between Eurofisc and the EPPO. Eurofisc is not enabled by itself to share data with EPPO, so the communication of tax authorities with the EPPO takes place at the national level.

¹⁶⁶ A decrease in SCAC requests is being observed over the years. This is partly due to the success of Eurofisc as bilateral exchanges increasingly took place through the Eurofisc Network. However, the COVID-19 pandemic is probably also an important factor causing a decrease in the number of SCAC requests.

¹⁶⁷ Olofsdottir, A., European Parliament, TAX3 Committee 'Hearing on VAT fraud', Brussels June 28th 2018, p. 9.

Evaluation description
<p>EU added value</p> <p>EU added value looks at to what extent having Eurofisc at the EU level makes the difference compared to what MSs could achieve at a national level.</p>

MSs are convinced that the result of the fight against cross-border VAT fraud is better solved through cooperation among the MSs. This fight could not have been achieved at the national level. In this regard, the Regulation, including the functioning of Eurofisc, is considered crucial for international cooperation. It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that:

- Eurofisc is, in general, considered to a (very) large extent to align with the need to address VAT fraud problems.
- Eurofisc is, to a (very) large extent, used to tackle VAT fraud.
- The legal provisions regarding Eurofisc are, in general, considered to a large extent as complete.

Table A.16 EU added value.

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
<i>Please indicate whether the different cooperation tools align with the need to address VAT fraud problems. (n=25)</i>						
Eurofisc	0	0	0	9	14	1
<i>Please indicate the extent to which you used the following tools to tackle VAT fraud. (n=25)</i>						
Eurofisc	0	0	0	6	17	1
<i>To which extent do you consider the legal provisions of the cooperation tools complete? (n=25)</i>						
Eurofisc	0	0	3	15	5	1

Eurofisc is an important source of information on risky traders from other MSs. Information received via the Eurofisc network provides the MSs with other MS' tax authorities' internal evaluation of a company. This information is not publicly available otherwise as information available on the internet and the various public databases do not include tax administrations' internal knowledge of a taxpayer's behaviour. Additionally, Eurofisc is the network of experts specialised in the fight against VAT fraud, which allows for the EoI, experience and knowledge through common workshops and meetings, as well as a faster exchange of necessary information.

It is highly appreciated to have all the administrative cooperation tools because, on an international level, MSs cannot verify all the information by themselves. They need to cooperate with other MSs. Given the specificities of the VAT legislation on intra-Community trade in goods and services and its cross-border nature — reverse charge, a large number of special schemes, specific requirements for the declaration of supplies and evidence of supplies, as well as the international context of intra-Community trade — the Regulation has an irrevocable and irreplaceable role in creating conditions and opportunities for revenue administrations to exercise effective tax control over these transactions.

Conclusions and areas for potential improvement

At its introduction, Eurofisc was seen as a promising platform for cooperation at the EU level. Over the years, there have been several challenges regarding the functioning of Eurofisc that have largely been resolved with the introduction of TNA in 2019. As a result, the outcomes of this case study are more positive compared to the findings mentioned above, which dealt with the situation before the introduction of TNA. Eurofisc is still seen as a well-functioning tool for administrative cooperation. Eurofisc has been valued highly and is considered an effective, efficient, relevant and coherent tool with EU-added value. However, Eurofisc has not yet reached its full potential as some challenges regarding its effectiveness, efficiency, and coherence are still present.

Effectiveness

- Generally, Eurofisc, including its early warning network, the network of experts, TNA and the FuAs, is considered a useful and effective tool in the fight against VAT fraud.
- Especially after the introduction of TNA, Eurofisc can quickly act against VAT fraud whilst focussing on concrete cases with a targeted approach, which is an advantage over, for example, MLCs.
- However, there are still some challenges, for example, the requalification of dubious fraud cases and timing.
- A difference in effectiveness between the working fields of Eurofisc is considered due to the differences in databases and the application of TNA. However, this difference is expected to decrease from 2024 onwards, given the introduction of CESOP.
- There is disagreement on the general principle of voluntariness underlying Eurofisc. On the one hand, the voluntary nature of Eurofisc is seen as a strength. On the other hand, it is seen as a challenge, as it interferes with the decision-making process but also with information exchange.

Efficiency

- Eurofisc is considered a good functioning tool but needs more time and investments to become more useful, for example, regarding data and the connection with other systems.
- Finding sufficient (IT-)staff is and remains a constant challenge for MSs.
- Although there is no concrete data available to track regulatory costs and benefits related to the Regulation, Eurofisc is considered an efficient tool. In general, Eurofisc safeguards MSs' revenues to a larger extent compared to investments made.

Relevance

- Eurofisc (and especially TNA) is considered a relevant tool in the fight against VAT fraud.
- The rationale underlying Eurofisc is considered still appropriate.
- Collecting data on cross-border payments and the new CESOP system will further strengthen the capacity of Eurofisc to identify possible fraud cases.
- Furthermore, the VAT in the Digital Age proposals, including the introduction of DRR for intra-Community and domestic transactions, will have a valuable impact on the detection and wider identification of both cross-border and domestic VAT fraud.

Coherence

- In general, Eurofisc can co-exist with the other instruments under the Regulation. Eurofisc is complemented by and complements the other instruments.
- Eurofisc has some overlap with other instruments under the Regulation. However, there is no need to cancel any instruments, nor have instruments become redundant by Eurofisc.
- There are some discrepancies between, on the one hand, Eurofisc and, on the other hand, OLAF, Europol and EPPO due to procedural gaps in the Regulation and the confidentiality of the information exchanged via Eurofisc.

EU added value

- At the EU level, Eurofisc makes a difference compared to what the MSs can achieve at a national level.
- Through the Eurofisc network, MSs have access to information they cannot otherwise easily access at the national level.
- The Eurofisc network of experts at the EU level is also considered of great importance for the fight against international VAT fraud.

- **Areas for potential Improvement** Continue to invest time and resources in Eurofisc to address the challenges to further improve its effectiveness and efficiency.
- Provide better contact and cooperation with the EPPO, Europol, and OLAF.
- Extend TNA to the other working fields, and connect TNA to other databases (for example, CESOP, to the extent data-protection rules allow).
- Continue to invest in improving the ability to respond quicker to VAT fraud and in closer cooperation with the prosecution office to ensure that cases are effectively followed up by the judiciary.
- Because there seems to be no consensus amongst MSs to make participation in Eurofisc mandatory: provide more incentives for the MSs to fully participate in the Eurofisc' working fields.

Annex VII: Case study 2 – eFCA

Key takeaways

- Standard Forms were introduced to increase the speed of processing information requests because it is essential that information is exchanged as soon as possible to efficiently fight VAT fraud and to ensure a proper collection of VAT.
- As of 2013, information was exchanged via e-forms. These e-forms appeared to be already an efficient way of information exchange. However, the majority of the MSs agreed on the need to update these forms with the eFCA.
- eFCA is a central Web-based application to manage the e-Forms in the context of administrative cooperation in the fields of direct taxation, VAT and recovery of claims.
- Generally, the Standard Forms are considered an effective, efficient, relevant and coherent tool with EU-added value. However, some challenges regarding its effectiveness, relevance and EU-added value are still present.

This study presents a deep dive into the eFCA under Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT (hereinafter: the Regulation). The objective of this case study is to better understand the performance of the tool in relation to the objectives of the Regulation. The structure of this report is as follows:

- Introduction to the tool;
- Data collection approach;
- Key findings;
- Conclusions and areas for potential improvement.

Introduction to the tool

The Regulation establishes (mutual assistance) instruments, networks, rules and procedures to enable the competent authorities of the MSs to cooperate, monitor the application of VAT, exchange information on VAT and combat VAT fraud with each other and together with the European Commission, other EU institutions (e.g. Europol and OLAF) or third countries.¹⁶⁸

The Regulation sets out the rules for the AEOI and spontaneous EoI, as well as the EoIR and the grounds for refusing to provide information.¹⁶⁹ Furthermore, the Regulation determines that where a competent authority provides information, it may request the competent authority which receives the information to give feedback thereon¹⁷⁰ and contains rules on the storage of information.¹⁷¹ Information shall be exchanged, on request or without prior request, using a Standard Form, except for certain cases, for example, in the exceptional case where the information request includes the reasons for which the requesting authority considers the Standard Form not to be appropriate¹⁷² or the specific case when the respective competent authorities deem other secure means more appropriate and agree to use them¹⁷³.

¹⁶⁸ See e.g., Article 1, Council Regulation (EU) 904/2010. The provisions regarding the relations with the European Commission and with third countries are respectively laid down in Chapter XIII and Chapter XIV, Council Regulation (EU) 904/2010.

¹⁶⁹ Chapters II, III and XV, Council Regulation (EU) 904/2010.

¹⁷⁰ Chapter IV, Council Regulation (EU) 904/2010.

¹⁷¹ Chapter V, Council Regulation (EU) 904/2010.

¹⁷² Article 8, Council Regulation (EU) 904/2010.

¹⁷³ Article 13, paragraph 3, Council Regulation (EU) 904/2010.

Given the cross-border nature of VAT fraud, cooperation on the EU level is crucial, in particular, the EOL and the cooperation of MS tax authorities. MTIC fraud, the most common form of VAT fraud, is one of the EU's priority crime areas (EMPACT) under the 2022-2025 EU Policy Cycle and also has been a priority in the 2018-2021 policy cycle.¹⁷⁴ This type of VAT fraud is also known as Carousel fraud¹⁷⁵ (from now on, the term MTIC fraud will be used). The latest VAT Gap report published in 2022 found that MSs lost estimated VAT revenues of EUR 93 billion in 2020.¹⁷⁶ VAT fraud is closely linked to organised crime. According to Europol representatives, 2% of crime groups were behind 80% of VAT fraud concerning trade between the EU MSs in 2016.¹⁷⁷

Even though the Regulation seems to provide sufficient legal ground for the MsS to be engaged in different types of administrative cooperation and financial support for the joint action provided by the Fiscalis-programme,¹⁷⁸ earlier reports demonstrate that MSs do not sufficiently make use of the opportunities provided¹⁷⁹, and responses are slow.¹⁸⁰ A report from the European Court of Auditors (ECA) shows that the use of exchanges of information on request or spontaneous e-commerce is still limited.¹⁸¹ According to the Commission, reasons for this will most likely be found on a national level, such as language issues, lack of (human) resources, internal procedures¹⁸², the perception that making use of the instruments provided will not result in additional tax yield,¹⁸³ the perception that taxpayers are compliant or the perception that the information will not be provided in a timely manner to contribute to the auditing process.¹⁸⁴

Data collection approach

To provide a description of the current functioning of the Standard Forms, its strengths, and weaknesses, as well as room for improvement, insights were collected via desk research and stakeholder interviews (with, amongst others, national central liaison officers of Eurofisc, inspectors of various MSs, representatives of the Standing Committee of Administrative Cooperation (SCAC), and the Dutch Court and public prosecution service when it comes to proving VAT fraud. Please note that the latter two do not use the Standard Forms themselves but use the information obtained via the Standard Form, which is in the files of the Dutch Tax Administration and, from that point of view, can also say something about the value of the information obtained via those forms.). During targeted

¹⁷⁴ Europol, MTIC (Missing Trader Intra Community) fraud, <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>.

¹⁷⁵ Eurofisc, Annual report 2021, p. 4

¹⁷⁶ European Commission, Directorate-General for Taxation and Customs Union, Poniatoski, G. et al., 'VAT gap in the EU : report 2022', Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2778/109823>

¹⁷⁷ European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More action needed', 2015, 24, p. 9.

¹⁷⁸ See for example: European Commission, 'Mid-term Evaluation of the Fiscalis 2020 Programme – Final report', 2019, p. 6.

¹⁷⁹ Report on the application of Regulation (EEC) 218/92 (Second art. 14 Report), COM (96) 681, p. 11; Report on the application of Regulation (EEC) 218/92 (Third art. 14 Report), COM (2000) 28, p. 21; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM (2014) 71 final, pp. 9 and 11. See also: Wolf, R.A., 'Carrouselfraude (Carousel Fraud)', The Hague: SDU 2010, section 4.10.

¹⁸⁰ Report on the application of Regulation (EEC) 218/92 (Third art. 14 Report), COM (2000) 28, p. 7; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM (2014) 71 final, p. 4. According to this report, deadlines are missed and the aggregate number of late replies have reached an unacceptable level of approximately 43%. MSs are not informed about the reasons for late replies. See also: European Court of Auditors, 'Tackling intra-Community VAT fraud: More Action needed', 2015, 24, p. 9.

¹⁸¹ European Court of Auditors, 'E-commerce: many of the challenges of collecting VAT and customs duties remain to be solved', Special Report 2019/12, points 54-57.

¹⁸² Report on the application of Council Regulation (EU)904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM (2014) 71 final, p. 9.

¹⁸³ But instead, tax yield for another Member State. Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM (2014) 71 final, p. 10.

¹⁸⁴ Report on the application of Regulation (EEC) 218/92 (Third art. 14 Report), COM (2000) 28, p. 22. See also European Commission & Deloitte, *VAT Aspects of cross-border e-commerce - Options for modernisation, Final report – Lot 3 Assessment of the implementation of the 2015 place of supply rules and the Mini-One Stop Shop*, November 2016, p. 112: *'Most Member States do expect difficulties with MoSS audits in the near future. Many member states expect language issues and other communication problems, following from the fact that three parties are involved (MSI, MSC and taxpayer). It was also noted that audits could be very time-consuming due to the involvement of the MSI.'*

surveys and in-depth interviews, specific questions were asked about the experiences with the Standard Forms and to what extent these forms are deemed effective, efficient, relevant, and coherent with other tools under the Regulation and of EU added value. Data are derived from primary and secondary sources.¹⁸⁵

Key findings

This section presents the results of this case study. After describing the functioning of the Standard Forms, the strengths and challenges surrounding these forms will be evaluated.

The functioning of the Standard Forms

The Regulation lays down rules on the EoI between MSs. Because of costs, efficiency and speed, it is important that this information is exchanged electronically as much as possible. Certain information requests are repetitive in nature. In addition, the EU has several languages, and there have been some challenges with translation in the past.¹⁸⁶ Against this backdrop, the use of Standard Forms¹⁸⁷ in the EoI was introduced to increase the speed of processing these information requests¹⁸⁸ because it is essential that information is exchanged as soon as possible to efficiently fight VAT fraud and ensure a proper VAT collection.¹⁸⁹

As of 2013, information was exchanged via electronic forms (e-forms), which consisted of the electronic transmission of XML files. It appeared from a 2015 ECA report that MSs thought *'exchanges of information made through e-forms are the most powerful tool to fight VAT fraud since replies can be used as evidence before the court.'*¹⁹⁰ In 2017, the Commission stated in an impact assessment that *'no specific issues in relation to the use of e-forms have been reported by MSs in their replies to the targeted consultation and overall e-forms implemented at EU level meet their needs and is considered as an efficient way to exchange information.'*¹⁹¹ Hence, e-forms appeared to be already an efficient way of information exchange.¹⁹² However, the majority of the MSs agreed on the need to update the standard forms.¹⁹³ Therefore, the functioning of the e-forms was further improved in 2018 when eFCA replaced the old e-forms. This eFCA is a central Web-based application *'to manage the e-Forms in the context of administrative cooperation in the fields of direct taxation, VAT and recovery of claims.'* The eFCA was meant to be more user-friendly and to bring new functionalities, such as a single homogenous form with predefined questions translated into all official languages and the automatic sending of the e-forms.¹⁹⁴ Multiple updated and advanced versions of the eFCA were implemented in later years, and on 1 August 2019, the last Member State's administration entered into eFCA operations.¹⁹⁵ It is good to note that the eFCA is not an administrative cooperation tool in itself but rather an environment (a central Web-based application) that is used for the EoI (the administrative cooperation tool).

¹⁸⁵ E.g., laws, regulations and administrative provisions, procedures and protocols of general applicability, policy and other regulatory documents, monitoring and assessment reports, studies, progress reports and strategic policy documents of the European Commission and relevant EU agencies, academic research and think tank publications, interviews, focus groups and targeted consultation (online surveys).

¹⁸⁶ Council Regulation (EU) 904/2010 recitals 23 and 24; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, p. 5.

¹⁸⁷ Which are also called: e-forms, electronic Forms Central Application (eFCA) or Standing Committee on Administrative Cooperation (SCAC) request forms.

¹⁸⁸ Council Regulation (EU) 904/2010 recitals 23 and 24; Report on the application of Council Regulation (EU) 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, COM(2014) 71 final, p. 5.

¹⁸⁹ Ibid.

¹⁹⁰ Impact Assessment accompanying the Amendment for a Council Regulation Amending Regulation (EU) 904/2010, SWD(2017) 428 final, p. 116.; European Court of Auditors, 'Special report - Tackling intra-Community VAT fraud: More Action needed, 2015', 24, p. 21.

¹⁹¹ Impact Assessment accompanying the Amendment for a Council Regulation Amending Regulation (EU) 904/2010, SWD(2017) 428 final, p. 117.

¹⁹² Idem, p. 119.

¹⁹³ Idem p. 136 and 161.

¹⁹⁴ Idem, p. 116.

¹⁹⁵ Commission Staff Working Document (2020) 402 Final – Fiscalis 2020 Programme Progress Report 2019, pp 20-21.

The strengths and challenges of the Standard Forms

The instrument Standard Forms has strengths but is also faced challenges. In 2019, ECA researched the challenges of collecting VAT and customs duties regarding e-commerce.¹⁹⁶ It found that there was a risk that the data regarding information exchanges related to e-commerce was not complete because, amongst others, *'the e-forms used for spontaneous exchanges of information do not have a box to tick and categorise the information exchanged as relating to the distance-selling scheme; MSs do not keep separate records of e-forms related to e-commerce'*.¹⁹⁷ In 2020 and 2021, eFCA encountered some technical issues in the production environment.¹⁹⁸ Since then, not only has VAT legislation changed, which requires further cooperation and thus further use of tools as offered by the Regulation, but the MSs are also increasingly dealing with digitalisation and technological developments. In the following sections, it will be evaluated if the Standard Forms are considered effective and efficient, relevant to current and emerging needs, coherent with other tools under the Regulation, and, therefore, have achieved EU-added value.

As described in the section on the data collection approach, the evaluation is based on the results of the various interviews with, amongst others, national central liaison officers of Eurofisc, inspectors of various MSs, representatives of the Standing Committee of Administrative Cooperation (SCAC), and the Dutch Court and public prosecution service when it comes to proving VAT fraud.

Effectiveness

Evaluation description

Effectiveness

Effectiveness concerns the extent to which the Standard Forms achieved the Regulation's objectives and generated the benefits it was intended to produce.

The Standard Forms are considered important and helpful for the EoI between the MSs and are often used. Especially because the replies received can be used as evidence in legal proceedings.

An interview with a Dutch judge revealed that the Standard Forms are often used in legal proceedings about VAT carousel fraud and similar cases with an international aspect. These forms and the information obtained from them are invoked in the context of evidence. Additionally, these forms are used to prove (the knowledge of) fraud and if there was an intention or gross negligence. The (information obtained through the) Standard Forms is not automatically submitted to the Dutch court but is requested in response to the positions of the parties and then brought into the legal proceeding as written submissions. In this regard, confidentiality plays an important role. The Standard Forms with annexes are provided in full after anonymisation. The Standard Forms are usually drawn up in the national language, and these are then provided with an English translation. Based on the experiences of the Dutch judge, in doing so, sometimes, translation problems do occur. The Standard Forms are considered complete. However, these Standard Forms are seen as too extensive. For example, it appears that sometimes fields are not filled in, and the Standard Forms sometimes contain information that is not considered relevant. Viewed from the perspective of the Dutch court, the Standard Forms could be more compact. The main questions the Standard Forms should contain are questions about what happened, proof of fraud, information of knowledge of fraud and information to assess intent or gross negligence. That the Standard Forms are so extensive is seen as an impeding factor because of time constraints and staff shortages. In the Dutch system of bringing

¹⁹⁶ European Court of Auditors, 'Special Report – E-commerce: many of the challenges of collecting VAT and Custom Duties remain to be Resolved', 2019.

¹⁹⁷ Idem, p. 23.

¹⁹⁸ European Commission, 'Yearly Service Report - Reporting on Business Monitoring and Statistics', 2022, p. 79.

cases to trial, average case files are assumed. Very extensive Standard Forms require taking the case out of the regulated system and arranging a special hearing for it, as more preparation and discussion time are needed. Nevertheless, the use of the Standard Forms in legal proceedings is considered effective, as they serve to substantiate the views of the tax authorities. Without the use of those Standard Forms, the burden of proof is often not met by the Dutch tax authorities.

The Dutch Public Prosecution Service also uses the Standard Forms, albeit passively. The Standard Forms are used in administrative investigations by national tax authorities for the EoI between them about a particular taxpayer. This information is requested by the Dutch Public Prosecution Service for the criminal investigation through an order of extradition of documents to the tax authorities. The Dutch Public Prosecution Service can further request additional information with European Investigation Orders (EIO). It, therefore, does not actively use the Standard Forms itself but passively by requesting information already available from the tax authorities. This passive use of the Standard Forms by the Dutch Public Prosecution Service is relatively common in VAT carousel investigations. An interview with a Dutch prosecutor revealed that the Standard Forms are considered too technical and that only the free text at the bottom of the Standard Form is considered effective. Experience shows that this free text often contains additional questions that the national tax authority has asked outside the standard questions of the Standard Form. It is precisely this free text that is considered useful in criminal matters. The remaining standard questions are considered too unclear. For example, it is not clear; who is the asking party and who is the answering party, who is the buyer and who is the seller, and so on. These standard questions are, therefore, often skipped in Dutch practice. Furthermore, the interview reveals that the questions in the Standard Forms are also formulated for an administrative investigation. For a criminal investigation, the questions need to be purer. The Dutch prosecutor also sees a lot of differences in the quality of the answers between the MSs. If national tax authorities were better trained to formulate sharp and precise questions in the administrative investigation and then also substantiate the answers more, this would contribute to the passive use of the information in criminal cases. The quality gap between the MSs could also be improved. Furthermore, the Dutch prosecutor mentions the following unintended consequence of the Standard Forms. In criminal matters, it is often objected that a taxpayer complied with the information request in response to a Standard Form, the VAT identification number was not withdrawn, and the national tax authorities never warned that taxpayer about, for example, the risk of fraud. However, tax authorities are not allowed to say anything about the background of Standard Forms; they are bound by confidentiality. As a result, the Dutch Prosecution Service has to work harder and introduce other evidence in criminal proceedings.

It appears from an online survey filled out by the Central Liaison Officers of 24 MSs that there are different views on the usefulness of the Standard Forms.

Table A.17 Q7 on the effectiveness of eFCA

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
to better exploit existing administrative cooperation instruments in the field of fighting VAT-related fraud	0	0	1	9	14	1
to better fight VAT fraud through rapid and more effective identification and dismantling of fraudulent networks related to VAT	0	3	5	9	7	1
to improve the multidisciplinary approach to fighting and preventing VAT-related fraud	1	2	4	12	4	2

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
through swifter and more coordinated reaction capacity						

The eFCA tool is considered a modern application to use. The extent to which information exchange as a tool is effective, in practice, depends on the implementation of the MSs. It also appears that time can be a problem as deadlines¹⁹⁹ are not always respected. It is, therefore, advisable to take measures to improve the exchange of timely information between the tax administrations of the MSs. Although the information is considered clear and accurate, sometimes, too much information is shared, and the MSs are not able to check all of that information. Furthermore, some MSs are not able to provide information due to national legal barriers²⁰⁰ and sometimes information is lost because not all MSs have the same level of English²⁰¹. A fact that harms the effectiveness is that MSs view their responsibilities to share information after a request comes differently. For instance, if one Member State requests information, it cannot automatically rely on the requested Member State to send all the information that is needed. When authorities deem more information relevant than received, they need to issue a new request which – again – delays the investigation. Furthermore, the Standard Forms are considered very useful in simple situations but are considered less useful in more complex situations.

Efficiency

Evaluation description
<p>Efficiency</p> <p>Efficiency concerns, for example, the ratio of the overall costs and benefits for the different stakeholders involved. The costs, such as FTE or financial resources, are, for example, weighed against the benefits in terms of preventing VAT fraud.</p>

The Standard Forms are considered efficient (i.e., the benefits created by the Regulation outweigh the costs). It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that the benefits of using the Standard Forms are considered to a (very) large extent to outweigh possible regulatory and administrative costs.

Table A.18 Q13 on efficiency

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
E-Forms Central Application (eFCA)	0	0	0	12	9	4

An interview with a Dutch judge reveals that the format of the Standard Forms is considered efficient in the Netherlands but that the efficiency could be enhanced if the Standard Forms and, thus, the legal proceeding files were dense. Less staff, effort and time would then be required to use the Standard Forms in Dutch tax proceedings. Efficiency could also be improved as regards criminal

¹⁹⁹ Article 10, Council Regulation (EU) 904/2010 determines: *'The requested authority shall provide the information ... as quickly as possible and no later than three months following the date of receipt of the request. However, where the requested authority is already in possession of that information, the time limit shall be reduced to a maximum period of one month.'*

²⁰⁰ E.g., some MSs can only share information after a national audit took place.

²⁰¹ Some MSs use internal translators, but this affects the quality and completeness of the messages transferred.

proceedings by training tax authorities about formulating questions. Standard Forms could thus already provide the necessary information for prosecutors without the need to issue an EIO if the questions were formulated more precisely. Furthermore, exchanging information via Standard Forms is relatively quick and thus less time-consuming compared to EIOs. However, the purpose of the Standard Forms (its use in tax proceedings) must be taken into account. In modifying the Standard Forms in order to be also efficient for criminal proceedings, there is a danger of overasking the other Member States' authorities. The Standard Forms are considered very efficient in finding out whether it comes to criminal investigation at all because issuing an EIO is very time-consuming and expensive. For obtaining sufficient evidence of the existence of a criminal offence, it is precisely the combination with an EIO that is considered efficient.

Unfortunately, there is no quantitative data available to track regulatory costs and benefits related to the Regulation or, more specifically, the Standard Forms. Furthermore, costs appear difficult to quantify due to the differentiations between costs for the MSs and cost for the EU, as some costs are partly borne by the EU budget.

Although an estimate of the costs of implementing the Regulation cannot be provided, these costs are high — financial and non-financial. Expenditure is mainly related to the development, upgrading and maintenance of the European Information Systems and the related data collection systems, as well as to the updating of the legal base and the internal rules and procedures of the administration, and the practical implementation of the various forms of cooperation provided for in the Regulation. Furthermore, it appears that finding sufficient staff is and remains a constant challenge for MSs. Hence, additional FTE forms a main cost category for MSs.

Like the costs, the tangible and intangible, direct and indirect benefits of the application of the Regulation could hardly be assessed. However, in general, the benefits are assumed to outweigh the costs. Fighting the dominance of (organised) crime is considered more important than numerical loss. Administrative cooperation has significantly contributed to the control function of tax administrations for the correct assessment of VAT in intra-Community trade in goods and services, as well as to combating and counteracting VAT fraud.

Relevance

Evaluation questions

Relevance

Relevance concerns the alignment of the original objectives of the Regulation with the current needs and problems of stakeholders and the EU as a whole with regard to the Standard Forms. This evaluation criterion checks whether the rationale underlying the Standard Forms is still appropriate or requires a revision so as to take into account changing needs and problems. For example, do the Standard Forms still fill gaps in terms of required collaboration to tackle VAT fraud?

The EoI with the Standard Forms, as a tool for cooperation in the field of VAT, is considered to be a relevant and effective source of evidence collection for control activities in the last few years and remains relatively constant. Once possible VAT fraud has been identified, the EoI, through the Standard Forms, providing data and documents as evidence, is considered essential for proving the VAT fraud. Additionally, exchanging information via the Standard Forms is considered very relevant as the replies received can be used as evidence in legal proceedings. However, the timeframe in which some MSs provide the information is considered unsatisfactory.

An interview with a Dutch judge reveals that the Standard Forms are considered relevant and even crucial. The Standard Forms constitute concrete evidence and serve to substantiate the positions of the parties. It also reinforces the credibility of the position of, for example, the tax authorities, as the way the Standard Forms are used is seen as objective.

Furthermore, the interview with the Dutch prosecutor shows that only the passive use of the free text at the bottom of the Standard Form is considered relevant and useful for criminal matters. In almost all cases, this information is analysed and used by being matched with the information obtained from EIOs. The relevance of the passive use of the Standard Forms for criminal investigations could be improved by pure wording of questions where the focus is not only on administrative investigations but also criminal investigations, and, in addition, the differences between the MSs in the quality of responses to the questions should be improved.

Coherence

Evaluation questions

Coherence

Coherence concerns the degree to which the various tools available under the Regulation are consistent with each other and/or create synergies, discrepancies, and overlaps. The compatibility of the different tools under the Regulation is, for example, analysed.

Although the administrative cooperation tools under the Regulation are clearly distinct in nature and procedure for their implementation, they are considered very flexible and can co-exist. They complement each other according to the purposes for which they are used and the stage at which they are to be used. For example, cases initially identified in Eurofisc as early warning risk signals or other Eurofisc interactions in a given case or cases could further develop into MLCs or other initiatives on tackling cross-border VAT frauds after the collection of sufficient information through information requests via the Standard Forms. Using a combination of these tools allows MSs to organise their work efficiently. It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that the Standard Forms are, in general, considered to a large extent, to work well together with other tools in the fight against VAT fraud.

Table A.19 Q25 on coherence

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
E-Forms Central Application (eFCA)	0	2	0	11	11	1

EU added value

Evaluation questions

EU added value

EU added value looks at to what extent the Standard Forms at the EU level make the difference compared to what MSs could achieve at a national level.

MSs are convinced that the result of the fight against cross-border VAT fraud is better solved through cooperation among the MSs. The same results could not have been achieved at the national level.

In this regard, the Regulation, including the functioning of the Standard Forms, is considered crucial for international cooperation. It appears from an online survey filled out by the Central Liaison Officers of 25 MSs that there are different views on the extent to which the Standard Forms align with the need to address VAT fraud problems. Some consider the Standard Forms to align with this need to a limited or to some extent, and others – the majority of the Member States – to a (very) large extent. Furthermore, the Standard Forms are, to a (very) large extent, used to tackle VAT fraud, and the legal provisions regarding the Standard Forms are, in general, considered to a (very) large extent as complete.

Table A.22 Q24 on EU added value

	Not at all	To a limited extent	To some extent	To a large extent	To a very large extent	Do not know
<i>Please indicate whether the different cooperation tools align with the need to address VAT fraud problems. (n=24)</i>						
E-Forms Central Application (eFCA)	0	2	2	11	7	2
<i>Please indicate the extent to which you used the following tools to tackle VAT fraud. (n=24)</i>						
E-Forms Central Application (eFCA)	0	0	0	11	13	0
<i>To which extent do you consider the legal provisions of the cooperation tools as complete? (n=24)</i>						
E-Forms Central Application (eFCA)	0	0	2	11	9	2

It is highly appreciated to have all the administrative cooperation tools because, on an international level, MSs cannot verify all the information by themselves. They need to cooperate with other MSs. Given the specificities of the VAT legislation on intra-Community trade in goods and services and its cross-border nature — reverse charge, a large number of special schemes, specific requirements for the declaration of supplies and evidence of supplies, as well as the international context of intra-Community trade — the Regulation has an irrevocable and irreplaceable role in creating conditions and opportunities for revenue administrations to exercise effective tax control over these transactions. It appears from an interview with a Dutch judge that abolishing the Standard Forms without replacing it will make tax and criminal law enforcement in VAT fraud cases much more difficult. The interview with the Dutch prosecutor shows that the use of Standard Forms in administrative investigations is seen as a low-threshold way of conducting third-party investigations. If this low-threshold way of conducting third-party investigations disappears and nothing replaces it, it will hamper not only administrative investigations but also criminal investigations by making the start-up phase of the investigation more rigid. Fewer cases are then pushed into the criminal justice system because it is uncertain that a criminal offence has been committed.

Conclusions and areas for potential improvement

Effectiveness

- The Standard Forms still fulfil their purpose, i.e., increasing the speed of processing information requests, and are considered an effective and modern application in the fight against VAT fraud.
- The Standard forms are effective, especially because the replies received can be used as evidence in legal proceedings. However, the effectiveness could be enhanced if the Standard Forms were more compact.
- However, deadlines for the EoI are not always respected, and MSs view their responsibilities to share information after a request differently.
- Legal and language barriers still are challenges to a certain extent.

- In more complex situations, Standard Forms are considered less effective.
- For criminal matters, the Standard Forms are considered too technical, and only the open questions at the bottom of the Standard Form are considered effective in general.

Efficiency

- Standard Forms are considered to be an efficient way of information exchange.
- The efficiency could be enhanced if the Standard Forms were more compact.

Relevance

- Once possible VAT fraud has been identified, the EoI, through the Standard Forms providing data and documents as evidence is essential for proving VAT fraud.
- Furthermore, exchanging information via the Standard Forms is very relevant as the replies received can be used as evidence in legal proceedings.
- However, there are different views on the usefulness of the Standard Forms in the improvement of the multidisciplinary approach to fighting and preventing VAT-related fraud through a swifter and more coordinated reaction capacity, though the majority of MSs consider Standard Forms, to a (very) large extent, useful.
- The passive use of the free text at the bottom of the Standard Form is considered relevant and useful for criminal matters.

Coherence

- The Standard Forms are considered a coherent tool and complement other tools under the Regulation.

EU added value

- At the EU level, the Standard forms make a difference compared to what the MSs can achieve at a national level.
- Although the Standard Forms are, to a (very) large extent, used to tackle VAT fraud and the legislation is considered complete, there are different views on the extent to which the Standard Forms align with the need to address VAT fraud problems, though the majority of MSs considers Standard Forms to align with this need to a (very) large extent.
- Abolishing the Standard Forms without replacing them will make tax and criminal law enforcement in VAT fraud cases much more difficult; it will hamper not only administrative investigations but also criminal investigations by making the start-up phase of the investigation more rigid.

Areas for potential improvement

- Continue to invest time and resources in the Standard Forms to address the challenges to further improve its effectiveness.
- Ensure that MSs respond to requests for information in a timely manner.
- Remove legal barriers where possible.
- Find a solution to language and communication problems, which means that not all information is useful or not all information or too much information is shared.
- The effectiveness and relevance of the passive use of the Standard Forms for criminal investigations could be improved by pure wording of questions where the focus is not only on administrative investigations but also on criminal investigations, and, in addition, the differences between the Member States in the quality of responses to the questions should be improved.
- The effectiveness and efficiency could be enhanced if the Standard Forms were dense.

Annex VIII: Case Study 3 – MTIC Fraud

MTIC fraud is the most common type of VAT fraud in the EU, depriving European tax authorities of an estimated EUR 50 billion in tax each year.²⁰² MTIC fraud describes the practice of VAT evasion exploiting the VAT exemption on within-EU cross-border sales to resellers. The reseller charges VAT to a domestic buyer but never passes this VAT to the tax authority. Instead, the reseller becomes a “missing trader”, while the domestic buyer might claim reimbursement for the paid VAT.²⁰³

Key takeaways

- MTIC fraud schemes are prevalent throughout the EU, notwithstanding Regulation 904/2010.
- The Regulation has facilitated the detection of several missing trader schemes. In particular, the EoI between MSs, Eurofisc’s TNA and VIES have helped to identify and potentially prevent illegal activities. Moreover, these tools have successfully improved the administrative coordination necessary to investigate MTIC fraud.
- As a side effect, the closer collaboration through the Regulation has improved the criminal investigation and prosecution of MTIC fraudsters, even if the goal of the Regulation is not to combat VAT crime but VAT fraud. At their initial stage, administrative investigations using tools included in the Regulation aim at detecting VAT fraud. Nevertheless, once it is detected that fraud goes beyond VAT fraud and is a suspected VAT crime, the information obtained may be useful for criminal investigation. In addition to Europol, EPPO – though not part of the Regulation – has proven successful in investigating and unveiling fraudulent schemes.
- However, MTIC fraudsters can still remain undetected, using ever more complex intermediation chains, involving additional actors and countries and/or switching to more “innovative” schemes, e.g. based on non-tangible goods.
- Even fraudsters involved in schemes that are ultimately detected by authorities often manage to escape due to a lack of effective, fast, and coordinated criminal investigation.
- Areas for potential improvements are the acceleration of information exchange, preferably to real-time platforms, the harmonization of VAT collection among MSs, and the strengthening of the role the EPPO plays in the investigation of VAT fraud.

This document presents a deep dive into the modus operandi of MTIC fraud and discusses the way in which MTIC fraud is tackled under Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT. The analysis focuses on the cooperation tools summarized in Table 1.1 but also discusses aspects that are relevant to the collaborative fight against VAT fraud but not part of the Regulation. The structure of the case study is as follows:

- Data collection approach;
- Introduction to the modus operandi of MTIC fraud;
- Fighting MTIC fraud under the Regulation;
- MTIC fraud in practice;
- Conclusions and areas for potential improvements.

Data collection approach

To reconstruct the modus operandi of MTIC fraud and assess the effectiveness of the Regulation, this study draws on several sources. First, the academic literature regarding MTIC fraud was reviewed, and official reports of different EU institutions and agencies were analysed (e.g. Europol,

²⁰² See: <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>

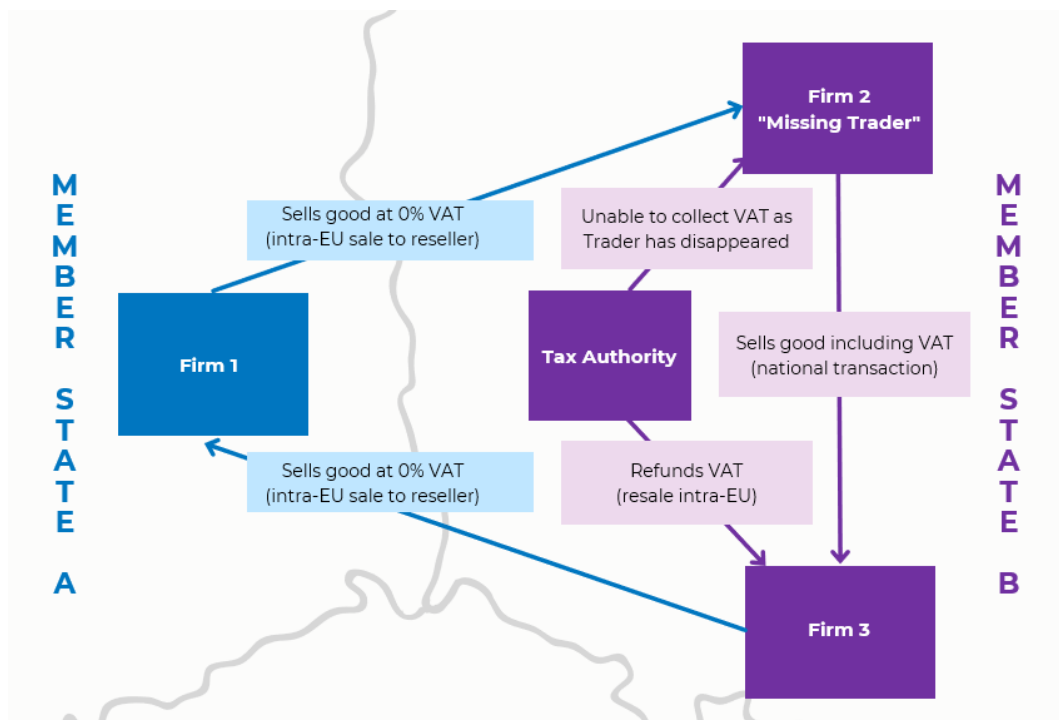
²⁰³ Ibid.

the EC, or the EP). Second, several MTIC fraud cases which have been detected and prosecuted during the last years were studied. The search for these cases used different combinations of the terms “missing trader”, “carousel fraud”, and “VAT fraud” in press releases of Europol, EPPO, and OLAF and in the databases of MSs’ court decisions provided by the European e-Justice portal.²⁰⁴ Based on the insights from these cases, this chapter presents one recent MTIC fraud case, which, to the best of the authors’ judgement, illustrates the successes and shortcomings of established cooperative tools for the fight against MTIC. To ensure the practical relevance and avoid misinterpretations of the case, the analysis is complemented with insights from the interviews conducted for this report, which are presented in detail in Section 3.

Introduction to the modus operandi of MTIC fraud

As depicted in the figure below, a simple form of MTIC (carousel) fraud involves three traders: **Firm 1** in MS A sells a product to **Firm 2** in MS B. As this transaction constitutes a within-EU cross-border trade to a reseller, no VAT is applied. **Firm 2** in MS B resells the product to **Firm 3**, which is also located in MS B. For the within-country sale, the local VAT applies and is transferred from **Firm 3** to **Firm 2**. When **Firm 3** then resells the product, it gets a VAT reimbursement from its local **Tax Authority**. **Firm 3** sells the product back to **Firm 1** in MS A. This transaction, again, constitutes a within-EU cross-border sale to a reseller, and no VAT is applied, accordingly. Legally, **Firm 2** would have the duty to transfer the VAT to MS B’s **Tax Authority**, resulting in no gain or loss for either the firm or the tax authority. However, in the case of MTIC fraud, **Firm 2**, the “missing trader”, disappeared when the tax authority claimed the VAT. The fraudsters, therefore, gain the amount of VAT reimbursed while the tax authority loses exactly this amount in any “round” of the carousel.²⁰⁵

Figure A.3 Stylized example of an MTIC fraud



Source: own elaboration based on Europol (2022)

MTIC fraudsters mostly sell products that are relatively light and easy to transport, like mobile phones, or products which only exist electronically, like CO₂ certificates. While MTIC fraud is often exercised

²⁰⁴ When searching in national court decision databases, the search terms were translated to the local language.

²⁰⁵ See <https://www.europol.europa.eu/crime-areas-and-statistics/crime-areas/economic-crime/mtic-missing-trader-intra-community-fraud>

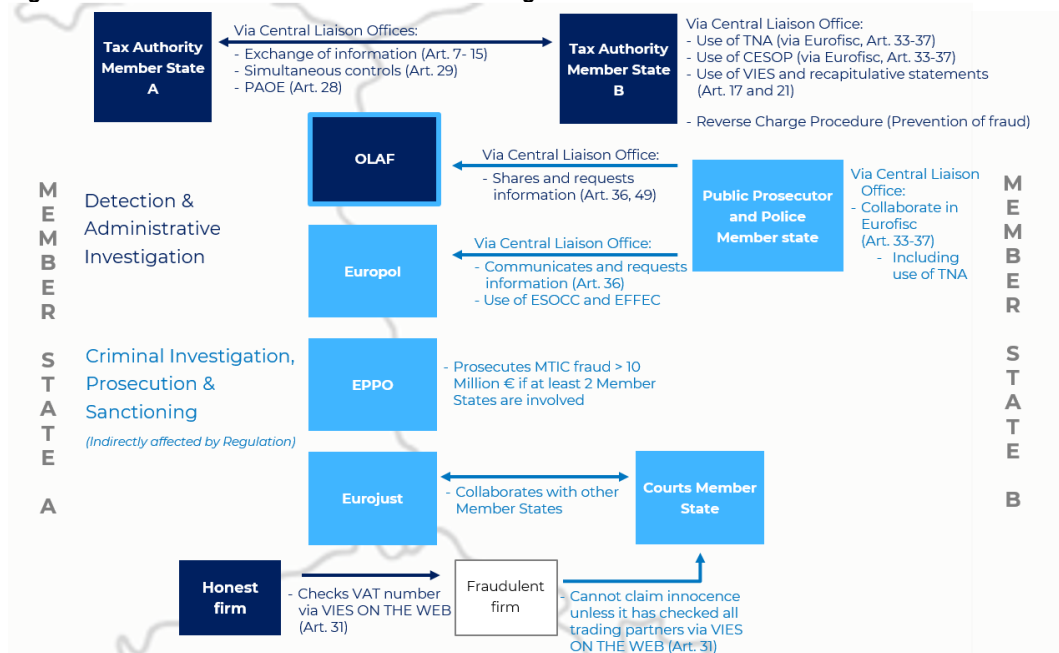
as a carousel, fraud is also possible without circular trading. The core of the scheme is that the missing trader does not transfer the VAT she has received to the tax authority and cannot be localized or has declared bankruptcy when the tax authority intends to collect the tax.

Not every firm involved in an MTIC scheme is necessarily involved in fraud. Some of the firms could just participate in the trade without benefiting from, or even without being aware of, the fraudulent scheme.²⁰⁶

Fighting MTIC fraud under the Regulation

Information sharing and collaboration between MSs are key for the detection and administrative investigation of MTIC fraud, which can often go unnoticed if activities are observed in one MS only. The cooperation tools included in the Regulation enable this information exchange and collaboration at different stages of the administrative investigation. While criminal investigation and prosecution, as well as the sanctioning of fraudsters, are not part of the Regulation’s explicit goals, the cooperation tools indirectly also support MSs in the criminal prosecution and sanctioning of fraudsters. In these fields, they critically interact with other EU interventions. As shown in the figure below, the following section, therefore, analyses to what extent the cooperation tools help MSs in the 1) detection and administrative investigation of VAT fraud (dark blue) but also assess how the tools can indirectly benefit 2) criminal investigation, prosecution, and sanctioning of MTIC fraud (light blue).

Figure A.4 Prosecution of MTIC fraud under the Regulation



Source: own elaboration

Detection of fraud and administrative investigation

The following section presents different tools for the detection and administrative investigation of MTIC fraud. The section focuses on the cooperation tools provided by the Regulation. However, to understand the potentials and limits of the cooperation tools in their institutional and political context, other relevant tools for fighting MTIC fraud are also discussed.

When MTIC fraud happens, quick detection of the scheme is crucial to ensure the investigation of the crime and avoid further tax revenue losses. For an understanding of the specific fraud scheme in

²⁰⁶ See: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), and [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690462/IPOL_BRI\(2021\)690462_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690462/IPOL_BRI(2021)690462_EN.pdf)

place, the [Eol between MSs](#), as specified in articles 7 to 15, is indispensable. Once a national authority cannot contact a missing trader and a case is opened, it will usually request information from other MS authorities. While the national authority would have only limited possibilities to investigate those parts of the MTIC scheme happening outside of the country, other MS authorities can often provide information about involved firms based in their territory.

Several interviewed national tax authorities highlight that especially the Eol under article 7, as well as the spontaneous Eol under article 15, has helped them to identify and dismantle missing traders. A majority of surveyed authorities (13 of 24 respondents; 54%) state that both articles are useful “to a large” or “to a very large” extent in identifying and dismantling fraudulent MTIC networks. In particular, the spontaneous Eol has proven useful in detecting cases that have gone unnoticed previously. In practice, this means that an investigator from one MS who notices something that might be relevant for investigators in another MS drops this information to her colleague. Even though this “service” provided to colleagues from another MS does not involve any immediate benefits to the reporting authority, investigators report that this exchange works effectively between many MSs. However, they also highlight that it is important to update colleagues from other MSs about the continuation of cases which were initiated with their help to increase the motivation to share such information. Due to the lack of formal incentives to do so, the effectiveness of information exchanges varies widely between different MSs. Another challenge to effective information sharing reported by CLOs is long waiting times (sometimes exceeding the three months deadlines). To combat fraud effectively and timely, information exchange has to become quicker and, wherever possible, automatized.²⁰⁷

Complementing Eol, the [Eurofisc instruments](#) are seen as the most important cooperation tools for a swift collaboration in the investigation of MTIC fraud. Bringing together anti-fraud experts and tax officials to exchange information on VAT fraud, the network allows the exchange of early warnings on businesses suspected of MTIC fraud and provides different tools tailored to different cases. Several interview partners report that Eurofisc has helped them considerably in identifying (previously) missing traders and carousel schemes; many even named Eurofisc as the most relevant tool for the investigation of fraud cases.²⁰⁸ Nearly all responding authorities state that they use Eurofisc “to a large” (6 of 24 respondents; 25%) or “to a very large” extent (17 of 24 respondents; 71%, one respondent replied “Don’t know”). However, not every MS participates in all Eurofisc working areas.²⁰⁹

Eurofisc incorporates two tools for automated data exchange, the TNA and CESOP (the latter will become operational in January 2024). The online tool TNA can be particularly helpful in identifying relevant schemes, even before any authority has become aware of irregularities. By automatically mining data provided by firms’ VAT transactions and analysing them with the help of machine learning tools, TNA can detect fraudulent transactions as they emerge. According to Eurofisc data published on the EC’s Website, TNA has helped to identify 1,471 MTIC cases.²¹⁰ Tax authorities and CLOs of different MSs interviewed for this study confirm that they have successfully identified fraud cases with the help of TNA. Moreover, Eurofisc and TNA information have helped to reveal current trends in the area of VAT fraud, such as the emerging vulnerability of a sector which was not popular among VAT fraudsters previously.²¹¹

However, the voluntary nature of the tool disallows TNA to unfold its full potential in fighting MTIC fraud, according to some interviewed authorities. As a solution, national tax administrators could grant

²⁰⁷ See interviews of this report.

²⁰⁸ See interviews and survey of this report.

²⁰⁹ See interviews and surveys of this report, consistent with [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.30.

²¹⁰ See: https://taxation-customs.ec.europa.eu/taxation-1/vat-and-administrative-cooperation_en

²¹¹ See interviews and survey of this report.

comprehensive data access to the TNA, as the tool does not have direct access to national data systems. Moreover, the tool could be best used when integrated with further EU-level data tools, such as CESOP or the tools managed by OLAF and Europol. The automatic flagging of potential risks will become more effective when based on different sorts of data, e.g. payment transactions from CESOP or data from other types of fraud reported by OLAF. Finally, some authorities criticize that information in TNA is sometimes delayed.²¹² The problematic time gap between the occurrence of intra-community trades and the detection of irregularities can be substantially reduced by CESOP, according to interview partners. Consequently, some authorities express their hope to be finally able to “follow the money” with CESOP’s help, at least for conventional transactions within Europe.^{213,214}

To establish an environment in which MTIC fraud does not stay clandestine for long, [simultaneous controls](#) provided in article 29 of the Regulation are used by nearly half of the surveyed authorities “to a large” or “to a very large” extent (10 of 24 respondents; 42%) and rated as helpful for the identification of fraudulent networks “to a large” or “to a very large” extent by the majority of surveyed CLOs (14 of 24 respondents; 58%). While most authorities only make use of [PAOE](#) provided in article 28 “to a limited” or “to some extent” (presence in administrative offices: 18 of 24 respondents; 75%, presence during administrative enquiries: 16 of 24 respondents; 67%), and several CLOs do “not use this possibility at all” (presence in administrative offices: 5 of 24 respondents; 21%, presence during administrative enquiries: 7 of 24 respondents; 29%), a majority states that the tool could be generally helpful in identifying fraudulent networks at least to “to some extent” (presence in administrative offices: 13 of 24 respondents; 54%, presence during administrative enquiries: 11 of 24 respondents; 46%).

[VIES and recapitulative statements](#) provided in Art.17 and 21 of the Regulation are also of great help for tax authorities fighting MTIC fraud: 20 out of 24 of the surveyed authorities use VIES and recapitulative statements (Art. 17 and 21) to a “very large” extent. The majority of respondents rate VIES’ contribution to the identification of fraudulent networks as “large” or “very large” (VIES: 20 of 24 respondents; 83%), and interview partners emphasize the system’s relevance in identifying fraudsters. However, with delays in registration dates sometimes reaching months, information provision via VIES is considered too slow to combat fraud effectively, and some authorities suggest that the system should head towards providing real-time data.²¹⁵

MTIC fraudsters must rely on trading partners to establish a successful scheme. [VIES on the Web](#) reduces fraudsters’ opportunity to cooperate with honest taxpayers who want to fulfil their obligation. The online platform established in Art. 31 of the Regulation enables companies to ensure that their trading partners are orderly VAT registered and therefore have the right to engage in cross-border trade within the EU. VIES on the Web thereby provides legal certainty to firms applying the VAT exemption in B2B cross-border transactions. This comes with an additional benefit for the sanctioning of fraudsters: Involved actors cannot (wrongfully) claim that they were not aware of the fraud and keep the fraudulently obtained funds – as it has often been the case – if they have not adequately checked their clients.

Supporting this positive view, 18 out of the 24 authorities responding to our survey (75%) state that VIES on the Web is useful for identifying and dismantling fraudulent networks. A concern that VIES on the Web cannot solve, however, is that fraudulent firms might be adequately VAT registered until

²¹² See statements in interviews with CLOs and OLAF and survey results from this study, which are consistent with [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.25.

²¹³ As some interview partners state, CESOP will not allow authorities to track certain payments, like payment through prepaid cards or crypto assets. A detailed discussion on CESOP’s potential can be found in the case study on CP42 fraud in Annex XI.

²¹⁴ See interviews and survey results from this study, which are consistent with [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.26.

²¹⁵ See interviews and survey results of this report.

their scheme is detected. Even if their VAT number is cancelled after detection, fraudsters might simply register a new company, obtain a new VAT number and continue their missing trader scheme.

Central beneficial ownership registers, which Directive (EU) 2015/849 (“4th Anti-Money Laundering Directive, 4AMLD”) requires MSs to establish, could hinder the such simple continuation of fraud schemes as the registers allow investigators to trace fraudsters linked to different firms. However, authorities often do not have sufficient resources to trace the complexity of schemes or to systematically search for inconsistencies in the database. Public access to such registers increases the likelihood that discrepancies are revealed, for instance, by researchers or civil society actors. The ECJ ruling of 22 November 2022, which restricted public access to European beneficial ownership registers, therefore, represents an obstacle to the effective dismantling of MTIC fraud.

In addition to the mechanisms of cooperation established in the Regulation, MSs can use the **reverse charge procedure**, an effective tool to avoid the fraudulent reimbursement of VAT that has never been paid. In this procedure established in Article 199 of Directive 2006/112/EC on the EU’s common system of VAT (“VAT Directive”), MSs can ask the *buyer* of a product to pay the VAT to the tax authority, making it impossible for a reseller to demand an illicit VAT refund. The EC allows MSs to use reverse charges until the end of 2026.²¹⁶ With the associated **Quick Reaction Mechanism (QRM)**, MSs can quickly introduce a temporary reverse charge mechanism for the supply of goods and services in particular sectors if sudden, massive fraud occurs. The reverse charge has been adopted by some MSs and successfully reduced MTIC fraud, including VAT reimbursements occurring in the affected sectors. However, the lack of harmonization across EU countries allowed fraudsters to simply relocate their criminal activity to another MS. Moreover, while reverse charge inhibits fraudulent reimbursement of VAT that has never been paid, it does not prevent types of VAT fraud that spare reimbursement.²¹⁷

Criminal investigation, prosecution and sanctioning of fraudsters: Indirect effects of the Regulation and coherence with other EU interventions

While not the primary focus of the Regulation, several of the included cooperation tools also facilitate the criminal investigation and prosecution of MTIC fraud and the sanctioning of fraudsters. To make these “indirect benefits” from the Regulation obvious and assess the Regulation’s coherence with other EU interventions present in the field of MTIC fraud, the following section presents how different tools of the Regulation’s toolbox also help criminal investigators, prosecutors and courts. The Section focuses on the cooperation tools introduced by the Regulation but also briefly discusses other tools that are relevant to keep in mind when assessing the Regulations’ working.

The Eurofisc network includes collaboration with EU bodies active in the field of fraud, namely with the EU Anti-fraud office OLAF and Europol. **OLAF**, who may also obtain relevant information from MSs, according to Art. 49, conducts administrative investigations on potential fraud cases at the EU level and then notifies the affected MS. Though it cannot perform law enforcement investigations, prosecute cases itself or enact sanctions, it is a useful support to MSs in their prosecution process.²¹⁸

Europol helps to dismantle and identify MTIC fraud networks. It supports MSs’ law enforcement investigations and intelligence operations and provides analytical support and coordination for effective cross-border cooperation. Moreover, Europol subsumes the European Serious Organized Crime Centre (ESOCC) supporting the fight against organized crime and the European Financial and Economic Crime Centre (EFECC) investigating tax fraud schemes, including MTIC and carousel

²¹⁶ See: https://taxation-customs.ec.europa.eu/news/optional-reverse-charge-mechanism-stay-place-until-2027-2022-06-13_en

²¹⁷ See: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.25.

²¹⁸ See: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p. 29.

fraud. The case study presented below demonstrates how these tools can be helpful in conducting coordinated searches and thereby identifying different nodes of a criminal network.

MTIC frauds with damages above EUR 10 million that involve at least two MSs can be prosecuted by the [EPPO](#). As a European institution, the EPPO is in a favourable position to prosecute intra-European, cross-border VAT fraud. Starting its work in June 2021, EPPO managed to open 5,776 investigations associated with a damage of EUR 2.5 billion resulting in the seizure of assets worth EUR 147.3 million in the first six months of its operation alone.²¹⁹ Between October and December 2022, it revealed the largest MTIC fraud ever detected, a case which will be discussed in greater detail below.

EPPO's numerous successful investigations suggest that a considerable share of MTIC fraud remained undetected before EPPO's constitution. Ultimately, however, EPPO's effectiveness depends on the universal and harmonised transposition of laws covering VAT fraud, which is still unsatisfactory. Some MSs, i.e., Denmark, Hungary, Ireland, Poland, and Sweden, have refused to participate in the EPPO. According to interview partners, even for participating members, incentives for passing a case to EPPO are often low: MSs might be concerned about deteriorating their own track record of successful investigations or about the reduced number of exercised investigations under their lead. Passing over cases can be associated with lower performance on MSs' institutional goals for the recovery of unpaid taxes, a problem sometimes reflected in internal regulations that complicate handing over cases to EPPO. Adding to this problem, the collaboration with EPPO will involve a criminal, in addition to the administrative investigation, which is usually associated with additional work that local authorities might want or need to avoid, given the limited available resources. Keeping a case at the national level often can be easily justified, given that the minimum threshold of EUR 10 million – while mostly passed once EPPO takes over – is often not obviously passed when the investigation starts. Reducing the barriers to cooperation in this field could potentially improve the recovery of MSs funds. Finally and importantly, without being part of the Regulation, EPPO does not have access to collaboration tools. This hinders and slows down its work tremendously, as the organization depends on cooperative MS tax authorities to access relevant information for the prosecution of MTIC cases.²²⁰

One additional relevant collaborative tool for the criminal prosecution of MTIC is the European Multidisciplinary Platform Against Criminal Threats ([EMPACT](#)). The multi-stakeholder platform brings together EU authorities and national authorities from the MSs, including experts and civil society representatives, to jointly set, implement and evaluate priorities during a four-year cycle. Focusing on economic and financial crime, the platform seeks to disrupt criminal networks, and thereby those two per cent of MTIC fraudsters who are estimated to be responsible for 80 per cent of MTIC fraud.²²¹

Criminal investigators in MSs that need to obtain evidence on a particular MTIC fraud case from an appropriate authority in another MS that want to freeze the assets of a missing trader or that want to issue a European Arrest Warrant (EAW) against a suspect in another MS, can do so via [Eurojust](#), the European Union Agency for Criminal Justice Cooperation.²²² In 2009, the Eurojust Financial and Economic Crime (FEC) team initiated a strategic project on the enhancement of EoI and mutual legal assistance between judicial authorities of the EU MSs in the area of VAT fraud. In the following years, between 2009 and 2013, a total of 270 MTIC cases were registered with Eurojust, and Eurojust initiated 49 coordination meetings tackling issues of MTIC fraud. As a result, [joint investigation teams](#) (JIT) were set up to tackle specific MTIC cases, and Eurojust offered judicial support, including help

²¹⁹ See: https://www.eppo.europa.eu/sites/default/files/2022-03/EPPO_Annual_Report_2021.pdf

²²⁰ See interview conducted with EPPO for this study.

²²¹ See: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.30 and <https://www.europol.europa.eu/publications-events/publications/mtic-fraud-investigation-and-leas-cooperation-improving>.

²²² See: [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU\(2022\)731902_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/731902/IPOL_STU(2022)731902_EN.pdf), p.30.

with the EoI and mutual legal assistance between judicial authorities of the EU MSs.²²³ While some of the tasks previously taken by Eurojust have now been officially incorporated into Council Regulation (EU) No 904/2010, Eurojust still provides a useful platform for judicial cooperation among MSs.

As MTIC fraud is dealt with by [national courts](#), there are few EU-wide collaboration schemes which are of direct help for the sanctioning of MTIC fraudsters. The lack of information sharing for the sanctioning of fraudsters often starts at the national level, where – depending on the MS – the permission or requirement of administrative investigators to transfer information to public prosecutors is limited.

However, as explained above, [Vies on the Web](#) can be a tool to hold firms accountable for their involvement in fraud. Complicit businesses' proclaimed unawareness of an MTIC scheme is only credible if the firm has indeed checked all trading partners. This solves a significant problem that national prosecutors deal with, i.e., the frequent claim of involved actors that they had not known about others' fraudulent activities and consequently, for instance, are allowed to keep VAT reimbursements, even though the tax authority cannot enforce the VAT payment by the missing trader.²²⁴ As mentioned earlier, however, the requirement to check trading partners is of little help when fraudsters are orderly VAT registered.

MTIC fraud in practice

To illustrate the current practice of MTIC fraud, the following section describes a recent MTIC fraud case. The fraud based on the sale of electronics via an online marketplace was detected by a Portuguese tax authority in April 2021 and fully uncovered by EPPO in November 2022. With an estimated damage of EUR 2.2 billion, the fraud constitutes the biggest VAT carousel fraud that has been revealed in the EU so far. The scheme involves at least 9,000 legal entities and more than 600 individuals from different countries within and outside the EU. The case was detected and investigated in cooperation among 23 EU MSs and ten non-MSs.

The case demonstrates how fraudsters use ever more complex structures to confuse investigators. It shows that cooperation among MSs is indispensable for an effective investigation. However, it also illustrates the limits of the cooperation tools included in the Regulation in prosecuting a complex transnational case, as well as the necessity of collaboration between administrative and criminal investigators. Moreover, the case demonstrates that VAT does not happen in a vacuum but as part of a larger system of crime: Missing trader fraud is combined with the trade via an online marketplace and criminal funds are disguised and taken from the prosecutors' reach by transferring them to secrecy jurisdictions.

The following section first describes how the fraud was committed. It then reconstructs the steps investigators used to detect and prosecute the fraud.

Crime Script: The largest detected MTIC case

Involved actors

The location of actors involved in the case, and hence the criminal network, was truly international. While the fraud was initiated on Portuguese territory²²⁵, criminal activities spread throughout Europe, i.e. to Belgium, Cyprus, the Czech Republic, France, Germany, Greece, Hungary, Italy, Lithuania,

²²³ See: <https://www.eurojust.europa.eu/publication/eurojust-news-issue-11>.

²²⁴ See, for instance, this case about VAT fraud in the trade with machine parts that was heard in front of a German court in 2020, <https://openjur.de/u/2299534.html>.

²²⁵ See: <https://www.euractiv.com/section/politics/news/european-public-prosecutor-boosts-fraud-investigation-in-portugal/>

Luxembourg, the Netherlands, Romania, Slovakia, Spain, and Sweden. The scheme also involved actors from foreign, non-European countries, i.e. Turkey, the UAE, Mauritius, Singapore, China, and the US (see Figure A.6).²²⁶

As shown in Figure A.5, the 9,000 legal entities involved in the fraud can be classified into six types of corporate actors: **Company 1**, initiating the trade; **company 2** became the missing trader, **Warehouses**, where the goods were stored before being shipped to the customer, an **Online Marketplace** where the good was sold, and a **Company located in a Secrecy Jurisdiction** to which the criminal profit was transferred. The figure uses stylized country and company names for each actor as the criminal scheme operated in a large number of countries, and no detailed information exists due to ongoing investigations. The figure indicates whether a firm “needs” to be located in or outside of a European country.

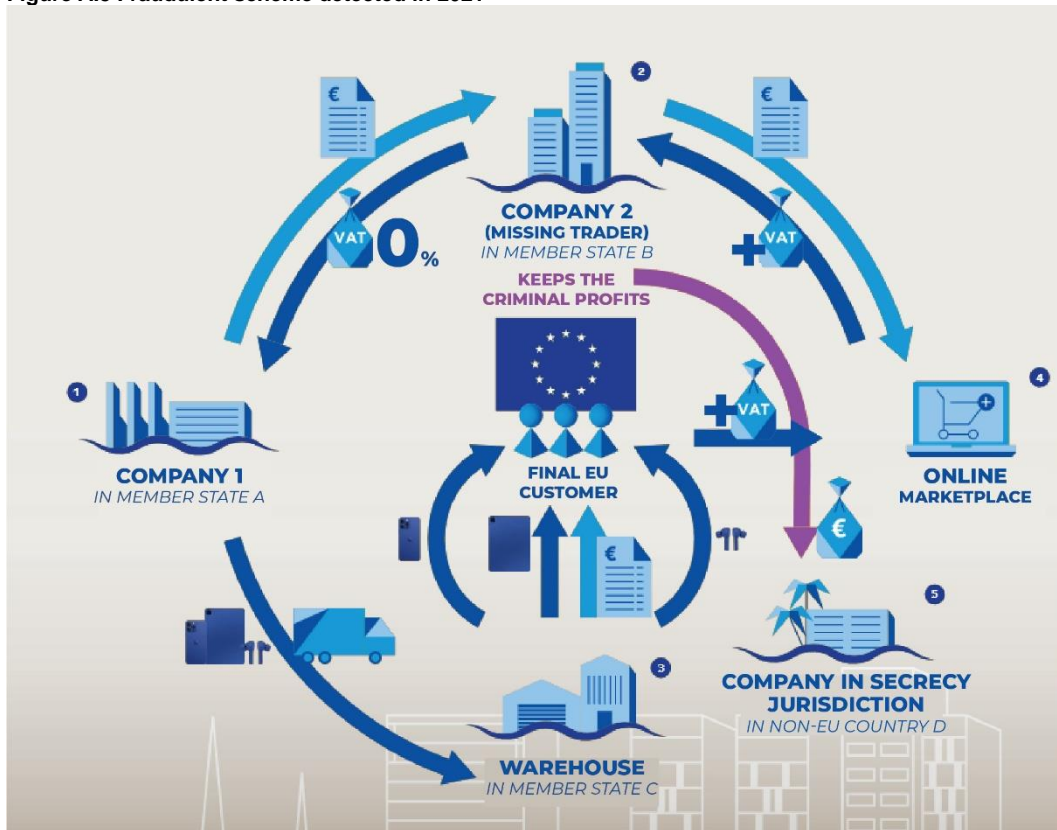
Fraudulent scheme

The fraud was conducted in the following way:

1. **Company 1** in MS A sold electronic goods to **Company 2** in MS B. Constituting an intra-EU cross-border trade to a reseller, this transaction involved 0% VAT.
2. **Company 1** delivered the electronic good to **Warehouses** in MS C.
3. **Company 2** sold the products via an **Online Marketplace** to **Final Customers** based in the EU.
4. EU-based **Final Customers** ordered the electronic products online, paid VAT on their purchase and received products from the **Warehouses** in MS C.
5. **Company 2** invoiced the **Online Marketplace** and received payment for the product, including the VAT paid by the **Final Customers**, at a percentage depending on their exact European location.
6. Instead of forwarding the VAT to the appropriate tax authority, **Company 2** kept the VAT as a criminal profit and transferred it to the **Company located in a Secrecy Jurisdiction** in non-EU country D.
7. **Company 2** disappeared.
8. Unable to identify **Company 2** (the missing trader), tax authorities were unable to collect the VAT.
9. Tax authorities were also unable to freeze the criminal profits. Even if the responsible actors were identified at a later stage, authorities could not or only hardly access the funds transferred to a secrecy jurisdiction.

²²⁶ See: <https://www.eppo.europa.eu/en/news/operation-admiral-eppo-uncovers-organised-crime-groups-responsible-vat-fraud-estimated-eu22>

Figure A.5 Fraudulent scheme detected in 2021



Source: own elaboration based on EPPO (2022)

As depicted in Figure A.7, the scheme has probably been running since early 2021 and has cost the European public around EUR 2.2 billion by the end of 2022.

Insights from the case

The case involved more countries and actors than most other identified cases. Nevertheless, there are good reasons to believe that it is representative of many cases that have so far remained undetected. It was one of the first cases taken up by EPPO and is widely believed to have been impossible to be unveiled without EPPO's capacities and coordination. It is, therefore, likely that many similar schemes have been in place for years without being detected. In particular, the following aspects could be relevant for a large share of recent MTIC frauds and should therefore be considered when designing policies.

First, with better coordination among MS authorities, fraudsters establish longer and more complicated chains of transactions, often involving non-EU jurisdictions. Alternatively, it might also be the case that fraudsters have long used these complex intermediation chains, but authorities are, for the first time, able to also detect such kind of activity.

Second, fraud has become highly professionalized. According to EPPO, the presented scheme was only possible through the involvement of several highly skilled organized crime groups, which all had their specific role in the overall scheme. Criminals have been avoiding detection for years by the transnational nature and the industrial logic of their work.²²⁷ Relatedly, VAT fraud in cases like this should not be considered a standalone criminal activity but rather a subset of activities conducted by transnational organized crime. From the logic of a fraudster, there is no reason to focus exclusively

²²⁷ See: <https://www.eppo.europa.eu/en/news/operation-admiral-eppo-uncovers-organised-crime-groups-responsible-vat-fraud-estimated-eu22>

on VAT fraud. Other types of financial crime, such as the transfer of illicit funds to companies in secrecy jurisdictions, help in both establishing and hiding fraudulent schemes.

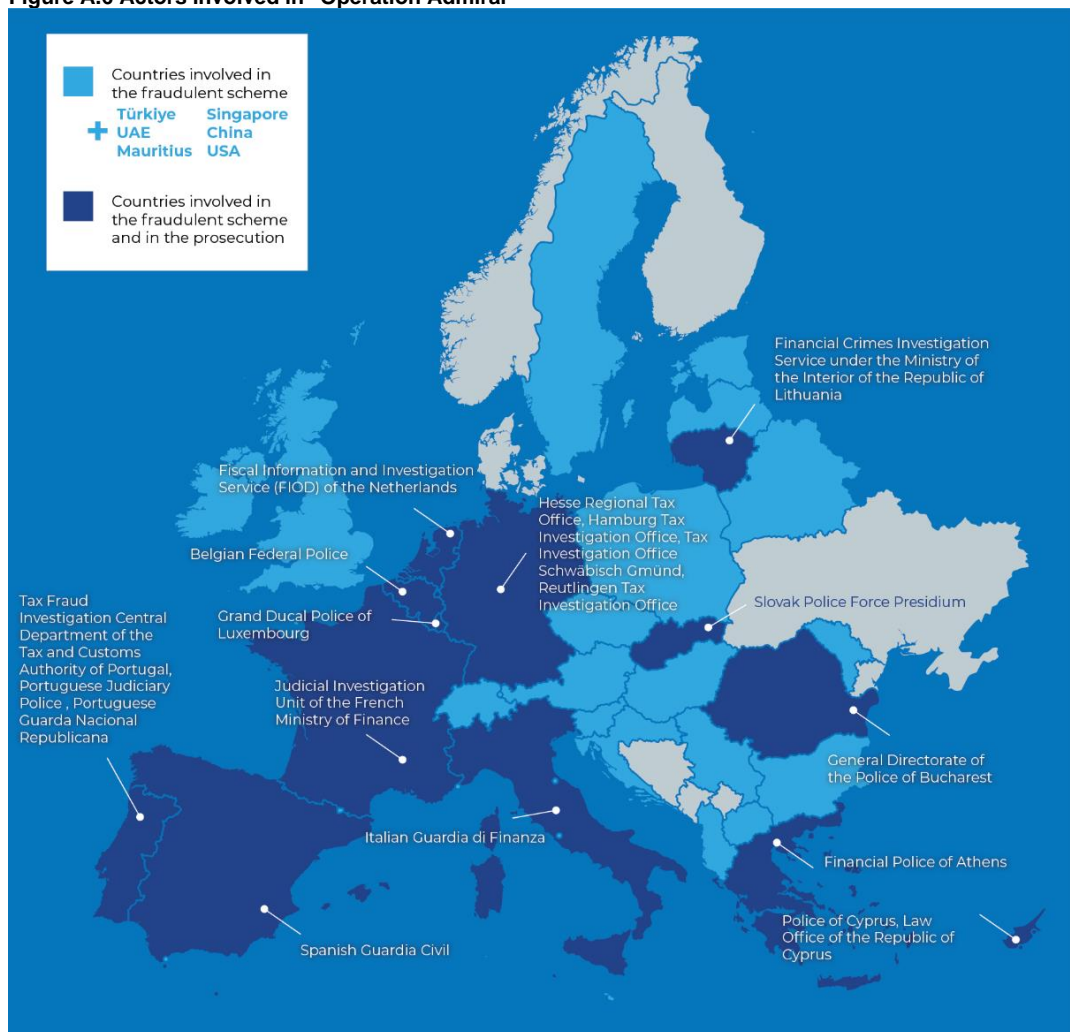
Prosecution Script: "Operation Admiral"

The following section provides details on the detection and prosecution of fraud. As the case is still open and fraudsters are being prosecuted at the time of writing, no details of the investigation are available, such as how a specific connection between firms could be established or which exact kind of information was exchanged. Therefore, the broad investigatory milestones which are public as of December 2022 are presented.²²⁸ Due to the limited available data on administrative investigations, the details of the prosecution largely focus on criminal investigations.

Actors

As shown in Figure A.6, in addition to 33 EPPO offices, more than 30 partners and national authorities are involved in the prosecution. Investigators include Europol and national police offices, law offices and investigation units from several ministries and numerous tax investigation offices.

Figure A.6 Actors involved in "Operation Admiral"



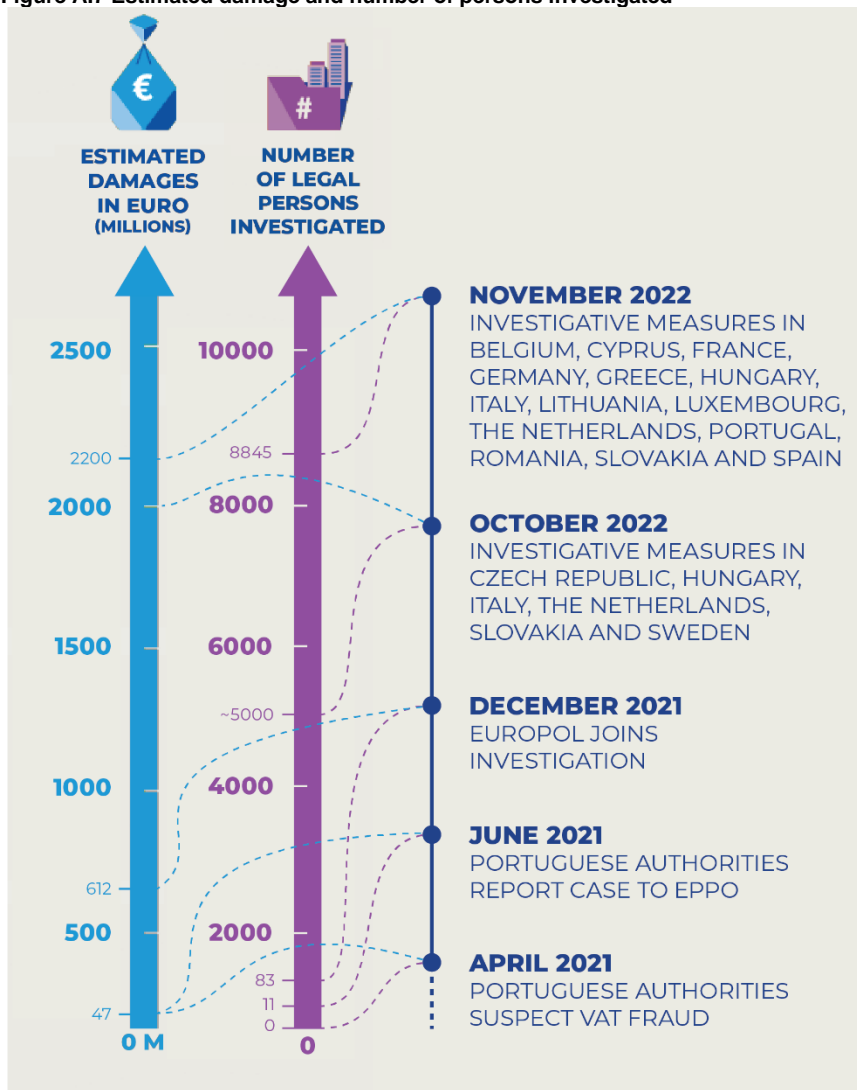
Source: own elaboration based on EPPO (2022)

²²⁸ Information given in this section comes from <https://www.eppo.europa.eu/en/news/operation-admiral-eppo-uncovers-organised-crime-groups-responsible-vat-fraud-estimated-eu22>, <https://www.eppo.europa.eu/en/news/largest-vat-fraud-investigated-eu-24-arrests-312-house-searches-and-seizures-worth-eu67>, <https://www.oe-mag.co.uk/the-european-public-prosecutors-office-has-given-new-impetus-to-the-portuguese-born-fraud-investigation/>, <https://www.euractiv.com/section/politics/news/european-public-prosecutor-boosts-fraud-investigation-in-portugal/>, <https://www.lusa.pt/article/39920245/portugal-european-public-prosecutor-boosted-fraud-investigation>, <https://twitter.com/EUProsecutor/status/1602668977825763331>.

Timeline

Investigations took about one and a half years from the first suspicions until the most important simultaneous investigation measures were conducted in November 2022. Figure A.7 shows the most important milestones of the investigation, which are summarized in the following.

Figure A.7 Estimated damage and number of persons investigated



Source: own elaboration based on EPPO (2022)

April 2021

The Portuguese Tax Authority in Coimbra, Portugal, and the Coimbra Public Prosecutor's office investigated a company selling mobile phones, tablets, earphones, and other electronic devices, on suspicion of VAT fraud. They found an older, related case pending in the Porto Public Prosecutor. In this older case, the authority had requested information from another MS via an e-form, eFCA's predecessor. However, the older case was closed, as the invoicing and tax declarations seemed to be in order from a national perspective. The Portuguese authorities decided to reopen the case and reported it to EPPO as soon as the Office was established in June 2021.

June 2021

Upon the start of EPPO's work, the Portuguese authorities reported the case to EPPO in line with their legal obligation. EPPO discussed whether they should continue the investigation, given that no prejudice was defined for Portugal but decided to take up the case. They cross-checked the

information on the case with their system, which reports all case files at the EPPO level, finding several potentially related suspects and possible links. These related cases had been investigated on the administrative level of different MSs, but criminal cases were rarely opened.

December 2021

To obtain more information on potential suspects and activities, the European Delegated Prosecutor for Portugal requested Europol to join the investigation. Europol's EFEC is supported by cross-checking the evidence against its Secure Information Exchange Network Application (SIENA) database and by mapping out the key targets and their criminal activities. With Europol's EFEC, investigators could obtain financial information from Financial Intelligence Units across Europe in the framework of the EU Directive 1153/2019.²²⁹

In the next few months until the summer of 2022, nearly 4,800 legal persons were investigated (see Figure A.7). Working jointly across borders, European Prosecutors, European Delegated Prosecutors, the EPPO's financial fraud analysts, and representatives from Europol and national law enforcement authorities gradually established connections between the suspected company in Portugal, close to 9000 other legal entities, and more than 600 natural persons located in different countries. Eighteen months after receiving Portugal's report, investigators presented what is believed to be the biggest EU VAT carousel fraud ever detected.²³⁰

Much of these investigations were built on MSs' obligation to confirm the validity of the VAT identification number of any specified person via the VIES. Even though EPPO was leading the investigations, however, requests based on this article had to be sent by national prosecutors, as EPPO is not included in the Regulation.

October 12th and 13th, 2022

The EPPO, in cooperation with law enforcement agencies of EU MSs, conducted searches in the Czech Republic, Hungary, Italy, the Netherlands, Slovakia and Sweden.

November 29th, 2022

The EPPO, in cooperation with law enforcement agencies of EU MSs, carried out simultaneous investigative measures, including more than 200 searches. Actions took place in Belgium, Cyprus, France, Germany, Greece, Hungary, Italy, Lithuania, Luxembourg, the Netherlands, Portugal, Romania, Slovakia and Spain.

In total, 312 houses were searched during October and November 2022. The search resulted in 24 arrests in Portugal, Italy, and France for allegedly committing crimes of criminal association, tax fraud and ML. As shown in Table A.22, authorities seized bank accounts, property, luxury goods and weapons with a total value of about EUR 67 million. Moreover, they collected a large number of documents, electronic devices (like mobile phones, hard drives etc.), documents and digital evidence for the continuing investigations.

Table A.20 Items seized in the "Operation Admiral"

In 312 house searches, the following items were seized:
<ul style="list-style-type: none">• 529 bank accounts• shares of 21 legal persons• 81 real estate properties• 31 luxury cars

²²⁹ See: <https://www.europol.europa.eu/media-press/newsroom/news/europol-support-to-epo-investigation-eur-22-billion-vat-fraud-scheme>

²³⁰ See: <https://www.epo.europa.eu/en/news/operation-admiral-epo-uncovers-organised-crime-groups-responsible-vat-fraud-estimated-eu22>

In 312 house searches, the following items were seized:

- over EUR 2.5 million in cash
- 104 valuable watches
- AirPods for an estimated value of EUR 2 million
- 42 luxury accessories
- 1 Kalashnikov
- Total value of seizures: EUR million 67

Today

Until today, all the data collected is being analysed, and the investigation into the organized crime groups behind this scheme is continuing. As shown in Figure A.7, so far, 8845 legal persons have been investigated, and the fraud is expected to have caused a tax loss of EUR 2.2 billion.

1.4.2.3 Insights from the prosecution

The operation was celebrated as a great success against cross-border VAT fraud based on missing traders. The following section discusses insights gained on the potentials and limits of (i) international cooperation, (ii) fighting different types of fraud, and (iii) involving different kinds of investigators within the Regulation's realm.

First, investigators highlight the critical role played by international cooperation. For Portugal's European Public Prosecutor, for instance, the "success of this operation was due to the different way in which the authorities looked at the investigation, with the adoption of a transnational vision".²³¹ In addition to the diverse perspectives on the investigations, different actors in different stages of the investigation required different ways to cooperate, a requirement that was successfully met by the use of diverse tools from the Regulation's toolbox. While this can be interpreted as a key success of the Regulation, the case also illustrates its limits: First, Portugal had used information exchange and nevertheless closed the case. Second, several countries had open cases for which they did not start a criminal investigation. This shows that the availability of cooperation tools in itself does not empower MSs to unveil or prosecute a transnational criminal network successfully. Instead, EPPO's involvement in the case was crucial for an effective investigation. According to Portugal's European Public Prosecutor, "The investigation got a boost when it reached the European public prosecutor's office. [...] If it wasn't for the European perspective, the process would go nowhere."²³² Without EPPO's involvement, the most likely outcome of the dispersed administrative investigations would have been that each involved MS bans one or two identified fraudster from their VAT register. However, each of the involved firms could then have simply registered a new firm under a new name and kept the scheme running.²³³

The case also shows EPPO's potential and limits in fighting MTIC fraud in international cooperation: According to EPPO officials, collaboration in the EPPO framework is particularly smooth when the MSs have specialized VAT fraud teams.²³⁴ However, while EPPO allows for close cooperation among its members, several EU countries are not part of the office, hindering the joint investigation. Another matter of concern is the lack of institutionalized collaboration with non-EU actors, which would be critical for the successful completion of a case like the one presented.²³⁵

Second, despite the success reported in this case, EPPO does not consider itself prepared to successfully fight more "innovative" forms of fraud, e.g. based on non-fungible tokens. "The

²³¹ See: <https://www.lusa.pt/article/39920245/portugal-european-public-prosecutor-boosted-fraud-investigation>.

²³² See: <https://www.lusa.pt/article/39920245/portugal-european-public-prosecutor-boosted-fraud-investigation>.

²³³ See interviews of this report (EPPO interview).

²³⁴ See interviews of this report (EPPO interview).

²³⁵ See interviews of this report (EPPO interview).

Regulation is not prepared for this”, says an EPPO representative. In addition to the abovementioned lack of access to collaboration tools, prosecutors have no way of obtaining information on extra-EU payment services, which would be critical to even become aware of such kind of fraud.²³⁶

Third, the case highlights the relevant collaboration between administrative and criminal investigators: In a case like the one presented, the mere use of administrative tools to collect and freeze assets as fast as possible can be too superficial as assets might be recovered, but perpetrators escape. Europol's and EPPO's involvement in the case is thus of critical importance. However, according to EPPO, even eligible cases are often not forwarded to the European Prosecutors. This problem calls for a better alignment of incentive structures and resource priorities among MSs in the fight against MTIC fraud.²³⁷

Conclusions and areas for potential improvements

- MTIC fraud remains prevalent throughout Europe, notwithstanding the Regulation's effort to curb this type of fraud.
- However, by allowing thorough cooperation among administrative investigators, the Regulation has considerably improved the detection of fraud and thereby, most likely, also prevented the establishment of fraudulent schemes. The various tools of the “cooperation toolbox”, especially Eol and the tools provided under the Eurofisc network, have played successfully together in making the administrative investigation considerably more effective.
- Fraudsters have responded to better coordination between MSs by setting up ever more complex schemes involving more actors, countries, and fraud types.
- To keep pace with the fraudsters and to be able to fight more innovative types of MTIC fraud, cooperation could be expanded in both depth and scope, and existing information sharing should become faster. Another area for potential improvements is to include so far excluded investigators in the information sharing and foster collaboration with non-European actors.

²³⁶ See interviews of this report (EPPO interview).

²³⁷ See interviews of this report (EPPO interview).

Annex IX: Case Study 4 – VAT fraud in exploiting customs procedure 42

Even though the largest share of MSs' trade happens within European borders, the EU's total imports from third countries exceeded EUR 3 trillion in 2022, a more than 50% increase compared to the pre-pandemic values of 2019.²³⁸ As VAT for these imports is due in the location of the final customer, imports are VAT exempted in the MS of the first entry if they are re-shipped for sale in another MS. Such imports are declared under customs procedure 42 (CP42), a procedure that has been exploited for VAT fraud. In this type of fraud, goods are imported under CP42, sold and shipped to another MS, however, without transferring the VAT, which is due in the MS to the final customer. The following case study analyses how the cooperation tools provided in the regulation help to prevent and investigate CP42 fraud based on a recent fraud case.

Key takeaways

- In principle, the Regulation contains all tools to effectively prevent VAT fraud from exploiting CP42. Tax authorities' access to national CP42 data combined with the automated exchange of relevant information on CP42 imports via VIES allows MSs to be aware of any taxable sale happening in their jurisdiction and thereby enforce VAT collection.
- However, the tools' effectiveness critically depends on how diligently they are implemented by MSs. While this is true for any regulation, the risk of insufficient implementation is particularly high in the case of CP42 fraud. The core responsibility in the prevention of fraud lies with the MS where the good is first imported, while all benefits of effective implementation of the Regulation accrue to other MSs (the ones where the good is sold to the final customer). Moreover, the insufficient cooperation of one single MS can cause detrimental effects on all other MSs, even when all of them apply the tools in a diligent way.
- Effective cooperation between the customs authorities and tax administrations of the MS of importation is crucial in preventing CP42 fraud. However, some tax authorities interviewed consider the legal provisions for cooperation with national customs authorities incomplete. In line, tax authorities report that not all MSs consistently provide the necessary information to track taxable transactions following a CP42 import in a complete, correct, and timely manner.
- Improvement potential, therefore, lies less in changing the tools themselves and in providing sufficient incentives to diligently apply them. Practical examples of making their implementation easier while increasing the cost of non-compliance are training on the use of the Customs Data Base (Surveillance), which allows CP42 fraudsters to enter the Union. Another avenue for aligning MSs' incentives around the taxation of third-country imports is the closer harmonization of VAT policies.

This document presents a deep dive into the modus operandi of VAT fraud exploiting CP42. It analyses the way in which CP42 fraud is tackled under Council Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of VAT. The analysis focuses on the cooperation tools summarized in Table 1.1 but also discusses other relevant tools and institutions for the collaborative fight against CP42 fraud, which give an important context when evaluating the success of the Regulation. The structure of the report is as follows:

- Data collection approach;
- Introduction to the modus operandi of VAT fraud exploiting CP42;
- Fighting VAT fraud exploiting CP42 under the Regulation;
- VAT fraud exploiting CP42 in practice: Fashion sales by the third-country provider;
- Conclusions and areas for potential improvements.

²³⁸ See: <https://ec.europa.eu/eurostat/databrowser/view/tet00012/default/table?lang=en>

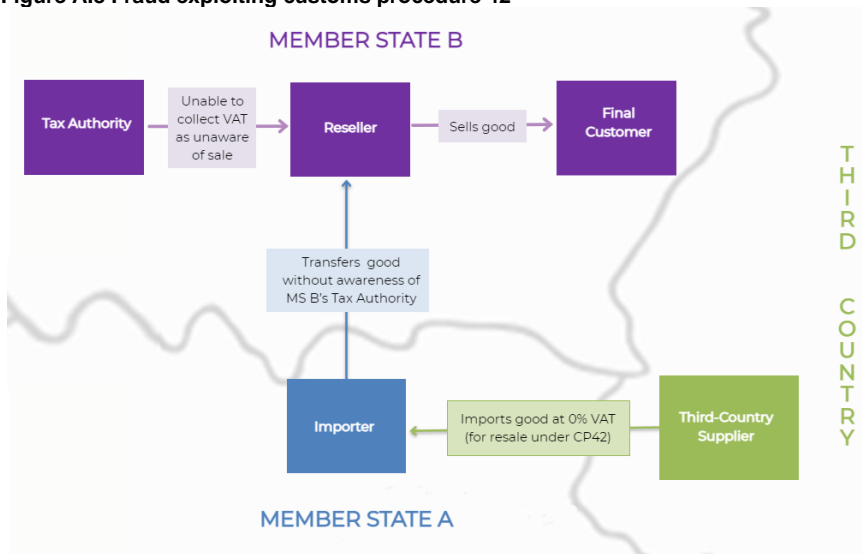
Data collection approach

To reconstruct the modus operandi of fraud based on CP42 and assess the effectiveness of the Regulation, this section draws on two main sources: First, the official reports of different European institutions and agencies, such as Europol, the EC, or the EP, are reviewed. Then, several cases dealing with e-commerce fraud are studied in detail. Cases are selected based on the search terms “customs procedure 42”, “VAT fraud”, and “undervaluation of goods” in press releases of Europol, EPPO, OLAF and in the databases of the decisions of MSs’ courts provided by the European e-Justice portal.²³⁹ Based on the insights from these cases, this chapter presents one recent CP42 fraud case, which, to the best of the authors’ judgement, illustrates the successes and shortcomings of the tools implemented to cooperate in the field of CP42 fraud. To ensure the practical relevance and avoid misinterpretations of the case, the analysis is complemented with insights from the interviews conducted for this report, which are presented in detail in Section 3.

Introduction to the modus operandi of VAT fraud exploiting customs procedure 42

The figure below shows a stylized version of VAT fraud exploiting CP42. A **Third-Country Supplier** imports a good into MS A. The good is declared to be resold by a taxable person in MS B under CP42 and therefore exempted from VAT in MS A. The **Importer** located in MS A transfers the good to a **Reseller** in MS B who sells the good to a **Final Customer** in MS B. Instead of transferring the VAT applied to this sale to MS B’s **Tax Authority** as prescribed, the reseller and importer either pocket the VAT for themselves and collaborating fraudsters (including the third-country supplier) or offer the good effectively “VAT free” at a very low price, undermining fair competition in the single market. The fraud scheme is often combined with MTIC fraud.

Figure A.8 Fraud exploiting customs procedure 42



Source: own elaboration

Fighting VAT fraud exploiting customs procedure 42 under the Regulation

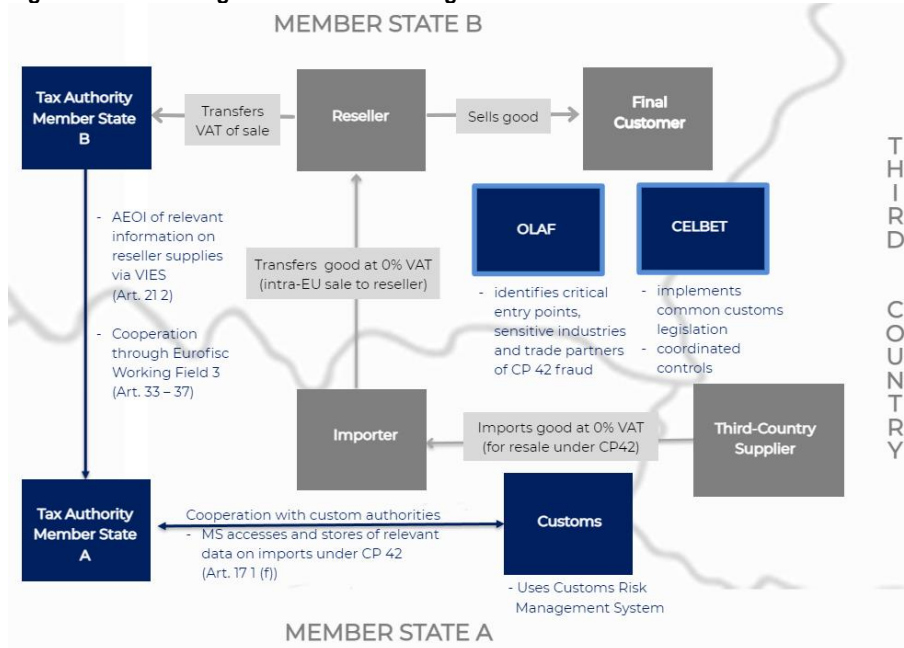
To prevent this kind of fraud, the tax authority of MS B needs to be informed about any good that has been imported under CP42 in MS A as well as about the reseller of this good in its own member state. The combination of the two tools of the Regulation makes sure that MS B is provided with this information.

²³⁹ When searching in national court decision databases, we translate the search terms to the local language.

First, as part of the [Cooperation with national customs authorities](#), tax authorities have access to CP42 imports to their own MS. They are required to store detailed information on imports under CP42, including the country of origin and destination, VAT numbers of the importer and reseller (collected under Art. 143(2) of Directive 2006/112/EC), the commodity code, the currency, the total amount, the exchange rate, the item price and the net weight of the imported good (Art. 17 1(f)). This includes checks on the validity of the VAT number which is reported for the reseller.

Second, tax authorities are required to automatically share the information on the VAT number of declared resellers and the value of goods or services supplied to every reseller via [VIES](#) (Art. 21 2).²⁴⁰ Working together, these two tools ensure that every MS is aware of any VAT-relevant sale in its jurisdiction following an import under CP42 in another jurisdiction, as shown in Figure A.9.

Figure A.9 Preventing CP42 fraud in the Regulation



Source: own elaboration

However, interviewed authorities report that, in practice, relevant information on imports under CP42 is sometimes missing, and VAT numbers of resellers are not always verified by the reporting MS (the MS of first entry). These shortcomings are also apparent from recent VAT fraud cases exploiting CP42, where single MSs failed to share relevant and correct information (see case study below).

Moreover, interviewed authorities consider the central processing of customs data as incomplete, as often only raw data can be filtered and reported. The different systems used by customs authorities are mentioned as a problem for effective AEOI. Consistent with these concerns, only 3 of the 24 surveyed authorities agree “to a large” or “to a very large extent” that the legal provisions for the cooperation with national customs authorities, including access to Customs Data Base (Surveillance), are complete. Regarding the Customs Data Base (Surveillance), interviewed MSs reported the limited experience with its usage as a problem and saw a lack of guidelines and training on how to effectively use the database.

In addition to these two core tools – cooperation with national customs authorities and AEOI via VIES – [Eurofisc WF 3](#) is dedicated towards the fight against VAT fraud exploiting CP42. Both tax and customs authorities participate in this working field, exchanging data on, for instance, risky imports. All 18 interviewed authorities that participate in this working field agree “to a large” or “to a very large

²⁴⁰ See: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52011SA0013&from=EN>, ANNEX I.

extent” that it is an effective early warning tool that improves the collection of VAT on intra-EU transactions.

Customs authorities should exchange risk information related to threats that present a high risk elsewhere in the Union. The exchange of risk information to tackle irregularities related to undervaluation, customs misclassification, and abuse of CP 42 should be done through the electronic system “Customs Risk Management System – CRMS” (managed by the COM), particularly through the issue of a risk information form (RIF). The risk information shared will be available to all MSs who could effectively use this information as warnings about possible VAT fraud threats.²⁴¹

Another institution which provides warnings about potential threats of CP42 fraud is [OLAF](#). The anti-fraud office identifies critical entry points of CP42 fraudsters, as well as sensitive industries and trade partners. OLAF also tries to uphold pressure on the MS of entry to effectively ban the exploitation of CP42. In fraud schemes which were well-known but ongoing, OLAF has pleaded with MSs, who allowed the fraud to implement risk indicators to stop the scheme. Moreover, OLAF has suggested making noncomplying MSs responsible for recovering EU-wide tax losses, a proposal that the EC has taken up in the case described below. However, OLAF itself lacks prosecutive powers to enforce such suggestions. In addition, according to the EP, OLAF does not sufficiently prioritize tackling tax and customs fraud, with its main focus being on smuggling.²⁴²

The EP proposes to incentivize MSs’ efforts in the fight against CP42 by raising awareness about the size and urgency of the problem. Accordingly, a priority of the EC should be to [provide reliable estimates of the actual losses from different types of VAT fraud](#), a study that should lie under OLAF’s responsibility.²⁴³ Moreover, as MSs, which perform customs controls, often end up bearing the financial consequences of their action (if they do not succeed in making recoveries from importers), [funding programmes](#) such as Customs and Fiscalis are also relevant to ensure smooth collaboration, according to the EP.²⁴⁴

One example of a successful collaboration in the area of customs and VAT is the [Customs Eastern and South-Eastern Land Border Expert Team \(CELBET\)](#). To alleviate the insufficient harmonization of EU VAT policies, the 11 CELBET MSs (Finland, Estonia, Latvia, Lithuania, Poland, Hungary, Slovakia, Croatia, Romania, Bulgaria and Greece) have committed themselves to sharing information and collaborating to implement common customs legislation and policy. The CELBET expert team established under the Customs 2020 programme conducts coordinated controls in the 174 border crossing points, both within the EU and at the external border. CELBET gives practical assistance by providing targeted risk profiles and mapping customs equipment. Moreover, it helps with identifying competencies and trains customs officers.²⁴⁵ According to the ECA, all MSs should follow CELBET’s example and “plan [coordinated controls and joint audits](#)”, which they have not made enough use of in the fight against VAT fraud, according to ECA.

Another well-functioning European institution for the coordinated prosecution of fraudsters is the [EPPO](#).²⁴⁶ While EPPO officials report good cooperation with customs, they still see some upwards potential in enhancing the collaboration in fraud initiated by third-country sellers.²⁴⁷

²⁴¹ See: https://www.eca.europa.eu/Lists/ECADocuments/SR19_12/SR_E-COMMERCE_VULNERABILITY_TO_TAX_FRAUD_EN.pdf.

²⁴² See: https://www.europarl.europa.eu/cmsdata/162265/Customs%20and%20VAT%20fraud_EN.pdf.

²⁴³ Ibid.

²⁴⁴ Ibid.

²⁴⁵ See: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690462/IPOL_BRI\(2021\)690462_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690462/IPOL_BRI(2021)690462_EN.pdf), p.30.

²⁴⁶ See: https://www.eca.europa.eu/Lists/ECADocuments/SR19_12/SR_E-COMMERCE_VULNERABILITY_TO_TAX_FRAUD_EN.pdf.

²⁴⁷ See interviews for this report.

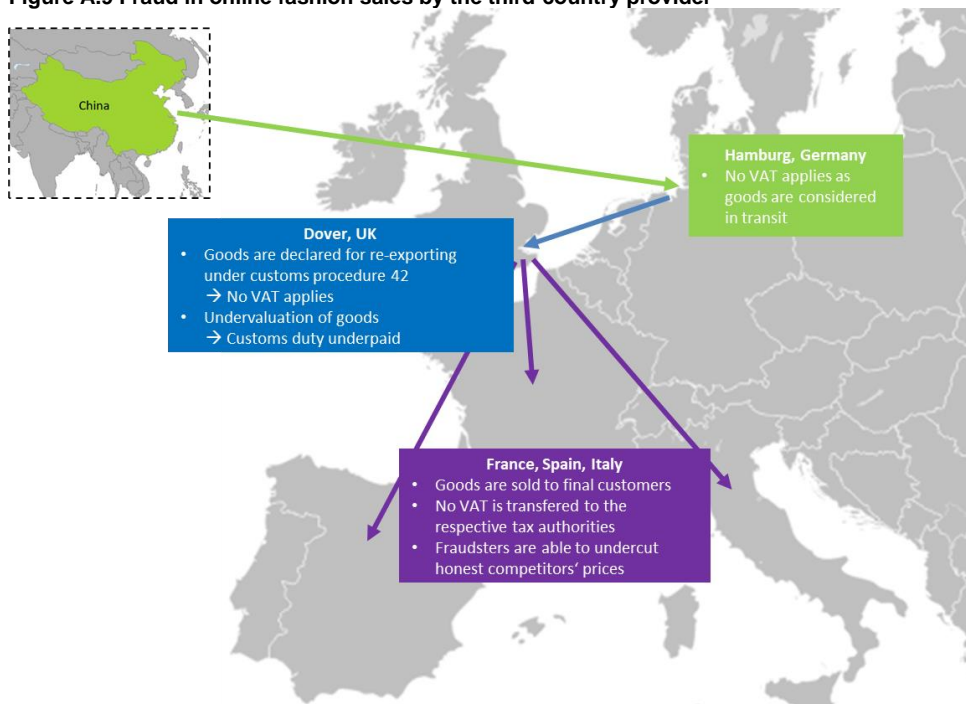
VAT fraud exploiting CP42 in practice: Fashion sales by the third-country provider

The following section illustrates the recent practice of CP42 fraud by reproducing the case of a fraudulent scheme around the sale of Chinese fashion items, causing an estimated EU-wide damage of EUR 2.7 billion between 2011 and 2017.²⁴⁸ The case illustrates how fair competition and VAT tax enforcement can be undermined in several MS because of the unwillingness to cooperate with one single MS, i.e. the MS of entry. In the following, first, details on the fraud scheme are presented. Second, the steps investigators used to detect and prosecute the fraud with the help of the cooperation tools summarized in Table 1.1 are reconstructed.

Crime script: Import of devalued textile products under customs procedure 42

The fraud was committed by five criminal networks, which were based in different MSs and in China. Fraudsters ran several front companies that organized the shipping of products, the transfer of money or the selling and advertising of the product to the final customer.

Figure A.9 Fraud in online fashion sales by the third-country provider



Source: own elaboration based on the European Court of Auditors (2019)

Fraudulent scheme

Figure A.10 shows the steps which fraudsters took to commit the fraud.

1. Textile goods, i.e. shoes and clothes, were shipped in containers on vessels from China to an EU port, mostly to Hamburg.
2. The containers, considered to be in transit and therefore not taxed, were transported on lorries to the UK, which was known for lax customs enforcement.
3. In the UK, fraudsters declared the imported goods as imported for re-export under CP42. In line with the procedure, no VAT is applied in the UK.
4. Moreover, fraudsters heavily understated the value of imported goods, thereby avoiding customs payments. They chose the UK as the "import point" as the country did not apply the

²⁴⁸ See: <https://www.bbc.com/news/uk-politics-60661085>.

risk threshold values below which an import guarantee for the release of goods declared with a potentially undervalued customs value would be needed.

5. Via resellers established all over Europe, clothes and shoes were sold to EU residents outside of the UK, mainly to Italy, France and Spain, but also to Poland, Germany, Hungary and the Czech Republic. No VAT was transferred to the tax authorities of these MSs.
6. When awareness about the fraudulent activities was raised among prosecutors, fraudsters adopted the scheme, entered through a new import point or relocated the sale of products.

Insights from the case

The case exhibits three typical features of fraud based on the exploitation of CP42. First, like in many CP42 cases, the scheme was set up by highly organized underground circuits on a European scale, who were extremely reactive and had an excellent knowledge of control loopholes, logistical circuits, false invoicing systems and clandestine financial flows. Second, like in this case, exploiting CP42 is often committed to parallel with other types of fraud, in particular with the undervaluation of imported goods, the sale of counterfeited goods and MTIC fraud, but also with clandestine employment and money laundering. Third, the fraud had become possible because of the inaction of one MS, in this example, the then-MS UK. Concerningly, the inactivity of merely one MS is enough to allow for a large-scale fraud scheme depriving several MSs of VAT.²⁴⁹

Prosecution script: Operation Octopus II

The fraud was prosecuted in 2018 in a joint operation of OLAF and the French Customs, supported by Europol and involving nine MSs. Operation “Octopus II” followed Operation “Octopus I”, which investigated a similar scheme in 2016.

Detection of the scheme

Authorities and OLAF officials were able to raise suspicions of illegal activities by analysing customs data. Due to the confidential nature of investigations, no clear statement can be made about which exact analyses were used to detect the fraud scheme. The following section, therefore, presents stylized analyses used to detect undervaluation import schemes similar to the ones the ECA has reported for the case at hand.²⁵⁰ Such analyses can never clearly identify fraudsters, nor can they hint at CP42 fraud that is unrelated to undervaluation. However, the analyses illustrate how first risk signals can be created by using simple data analysis on a limited amount of data.

The core idea behind the following analyses is to compare actual trading data with the patterns that would be expected if the trade was made in an honest way. First, Figure A.11 helps to detect a possible entry MS for undervalued goods around the time of the fraud case presented above. The figure plots the volume and price of textiles imported into different EU MSs from China for the years from 2006 to 2016. Close inspection reveals that the UK is an exceptional importer, both in terms of volume and in terms of the price of imported textiles: The left part of Figure A.11 shows that the UK’s volume of Chinese textile imports is very high, in particular, compared to countries like France, which has about the same GDP level as the UK. More importantly, UK’s import volume has increased considerably from 2013 on, even though such an increase did not happen for any other MS shown in the graph. At the same time, the right part of Figure A.11 illustrates that the price of Chinese textile imports to the UK – which was considerably higher than the EU average back in 2006 – had not only become lower than that of the EU average but also lower than the price at which any of the reported countries imported in 2016. From such a figure, one can therefore conclude that many Chinese

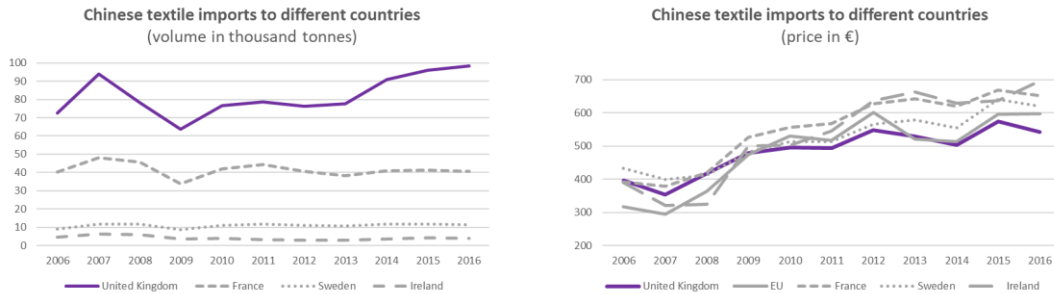
²⁴⁹ The Commission calculates that CP42 fraud via the United Kingdom resulted in losses to the EU budget amounting to €2.7 billion (plus interest and minus collection costs) between November 2011 and October 2017 (https://ec.europa.eu/commission/presscorner/detail/en/IP_18_5807). Since the UK has left the EU, fraudsters have probably shifted their activity. In 2017, for instance, they also entered the Union via Hungary, Greece, and Belgium (see Figure 23).

²⁵⁰ See: <https://medium.com/ecajournal/how-criminals-evade-vat-and-how-we-use-new-techniques-to-detect-it-d72792b83d5>

textiles were imported to the UK at a surprisingly low price. This pattern, however, could still be explained by economic factors, e.g. by UK's favourable conditions for textile imports.

Figure A.11 Volumes and prices of imported textiles and footwear in 2006 – 2016

This graph presents the volume and average price of Chinese imports of textiles and footwear to the United Kingdom, France, Sweden, and Ireland between 2006 and 2016. The graph follows the example chart provided by the European Court of Auditors (2019)²⁵¹ using data from Eurostat's database on international trade in goods. The data was retrieved in January 2023.

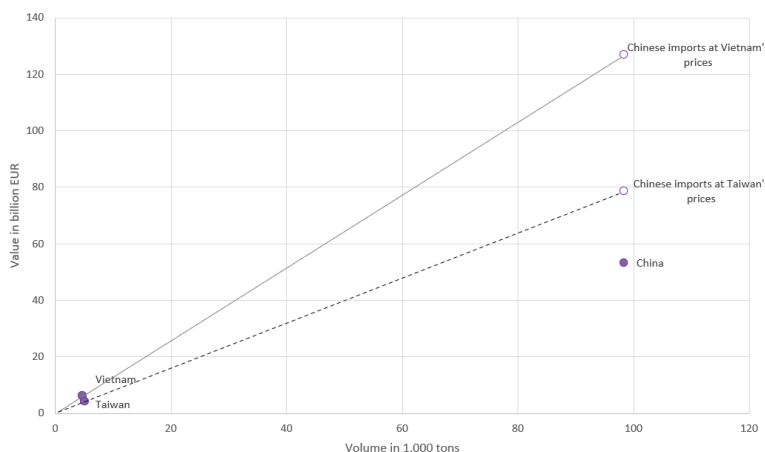


Source: own elaboration based on European Court of Auditors (2019) and Eurostat (2023)

Figure A.12 shows that this explanation is unlikely to hold, as the high-volume, low-price pattern observed for Chinese imports to the UK was no general pattern for UK textile imports. The graph plots the volume and value of UK textile imports from China, Vietnam, and Taiwan. Not surprisingly, Chinese imports were considerably higher than imports from Vietnam or Taiwan. However, the low price of Chinese imports is astonishing. Had the UK imported the same amount of textile products from Taiwan, their EUR value would have been about 50% higher. Even more surprisingly, had the UK imported the same amount of textile products from Vietnam – a country which is usually considered to be an even cheaper textile producer than China – the value of imports would have been more than doubling the Chinese value. From such an analysis, one could conclude that there is a suspicious element in the textile trade relationship between the UK and China.

Figure A.102 Volume and value of UK textile imports from different countries

This graph presents the volume and value of Chinese imports of textiles and footwear to the United Kingdom, compared to the volume and value of textile and footwear input from Vietnam and Taiwan in the year 2016. The graph follows the example chart provided by the European Court of Auditors (2019)²⁵² using data from Eurostat's database on international trade in goods. The data was retrieved in January 2023.



Source: own elaboration based on European Court of Auditors (2019) and Eurostat (2023)

To act on suspicion of potentially undervalued imports, authorities would like to identify firms that are likely part of the systematic undervaluation. Figure A.13 illustrates how such an identification could

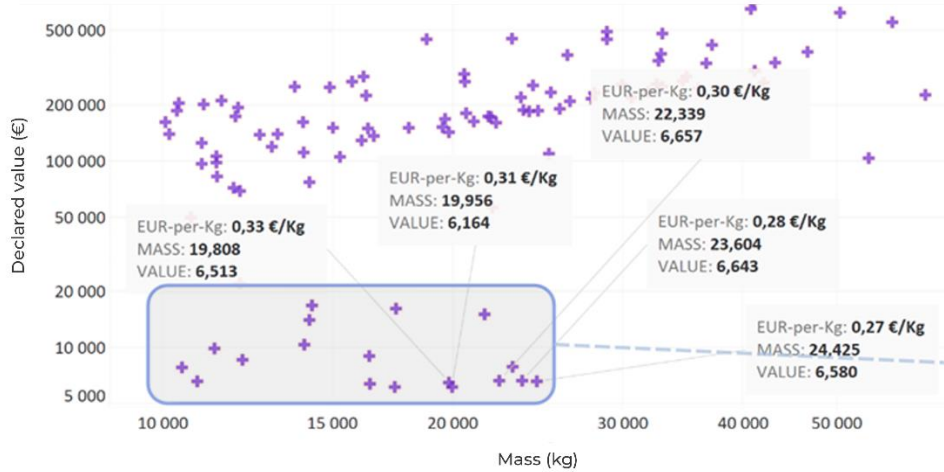
²⁵¹ See <https://medium.com/ecajournal/how-criminals-evade-vat-and-how-we-use-new-techniques-to-detect-it-d72792b83d5>.

²⁵² Ibid.

work, in principle. The figure shows the volume-value relationship for each declared import in 2015. Data points at the lower right, i.e. high-volume-low-value imports, are the most suspicious declarations. Firms registering these imports could then be investigated further by customs or tax authorities.

Figure A.13 Risk-based selection of highly undervalued imports (stylized figure)

This figure presents examples of declared imports of Chinese textiles and footwear to the United Kingdom in 2015. For each declared import, its weight in kg (x-axis) is compared to its declared value (y-axis). Data points in the lower right part of the graph are imports that are likely to be undervalued, given their low relation between value and weight. This graph has been taken from the European Court of Auditors (2019).²⁵³



Source: European Court of Auditors (2019)

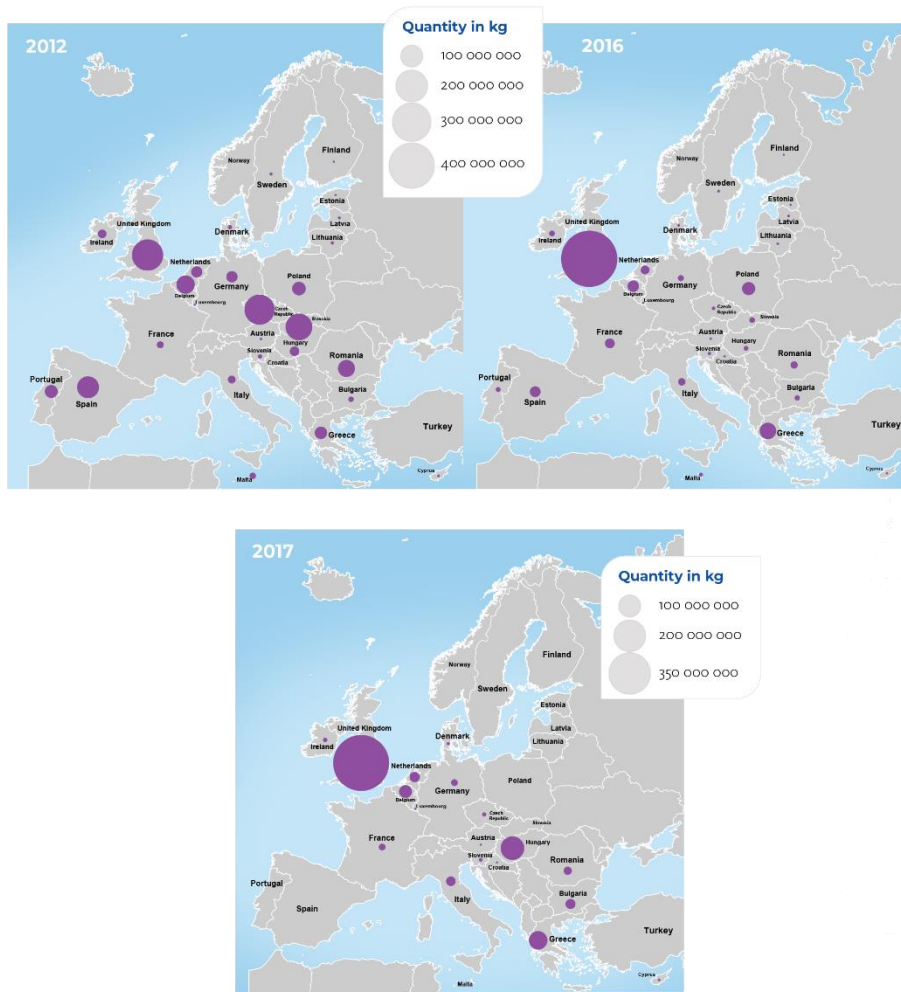
Prosecution

In reaction to the first suspicions of the fraud case, several countries implemented controls and coordinated actions were taken. Interestingly, OLAF's data analysis could also track how fraudsters reacted to the investigations: While traffic in the fraud hubs of MSs who took action fell considerably, fraudulent traffic through the hub in the UK – which did not show action – increased even more (see Figure A.13).

²⁵³ See <https://medium.com/ecajournal/how-criminals-evade-vat-and-how-we-use-new-techniques-to-detect-it-d72792b83d5>.

Figure A.14 Undervaluation fraud trends (textiles and footwear)

This figure shows the number of undervalued textiles and footwear in different MS in the years 2012, 2016, and 2017 as estimated by OLAF (2017).



Source: OLAF (2017)

In response to the UK's lack of effort, OLAF asked the country to implement risk indicators to effectively mitigate the undervaluation risks for textile imports. As the UK did not show ambitious action after this recommendation, the EC accused the country of doing too little to prevent fraud. It demanded the UK repay the losses caused to the European budget due to its unwillingness to adequately collect customs. While the UK initially refused to pay, the country was held liable for European tax losses of EUR 2.7 billion by a court in 2022.²⁵⁴

The most important investigations against the fraudulent network took place in French territory on June 25, 2018.²⁵⁵ The goals of the operation were to gather as many insights on the Modi operandi of European customs and tax fraud networks as possible. These insights were shared at the community level and enriched with other available data. Building on these data, investigators could establish a map of the fraud circuits on a European scale. The data was also used to carry out immediate controls or a posteriori investigation on suspicious imports, verify the elements related to massive value reductions and assess VAT consequences in the countries of destination.²⁵⁶

²⁵⁴ See: <https://www.bbc.com/news/uk-politics-60661085>

²⁵⁵ See: https://anti-fraud.ec.europa.eu/media-corner/news/la-douane-francaise-et-lolaf-presentent-les-resultats-de-loperation-octopus-ii-2018-06-25_en

²⁵⁶ See: https://anti-fraud.ec.europa.eu/media-corner/news/la-douane-francaise-et-lolaf-presentent-les-resultats-de-loperation-octopus-ii-2018-06-25_en

The operation resulted in the arrest of 14 individuals and the seizure of goods and documents worth approximately €10 million. OLAF and the French authorities also carried out a number of financial investigations and discovered evidence of fraudulent VAT reclaims worth approximately EUR 50 million.²⁵⁷

Insights from the prosecution

The prosecution under Operation Octopus II allows for three major insights: First, relatively simple analyses with the existing (customs) data allow for quick detection of fraudulent activities related to wrongful customs declarations such as undervaluation. Such detection should be considerably easier the more and better the available data. Second, the successful prosecution of CP42 fraud critically depends on the willingness to cooperate of MSs, which act as an entry point. The fraudulent scheme might have been stopped years earlier had the UK not remained inactive for such a long period of time. Third, in the cases where MSs do not collaborate, the EC has the power to enforce collaborative behaviour by holding Members accountable for tax revenue losses by other Members.

Conclusions and areas for potential improvement

- By granting tax authorities access to customs data on imports under CP42 and requiring the automatic exchange of this data via VIES, the Regulation does provide all tools to effectively curb CP42 fraud.
- Fraud cases of the last years and the feedback of some MSs, however, reveal that the tools are not always diligently implemented by all MSs. This is particularly problematic as the lax implementation of one MS (i.e. the one of the first import) can cause detrimental effects on a number of MSs, depriving them of the opportunity to effectively use the cooperation tools and enforce VAT payment.
- Potential improvement of the cooperation can therefore be fostered by making the use of the tools as easy as possible while increasing the costs of non-complying. Practical examples of such improvements are training on the use of the Customs Database (Surveillance) and the sanctioning of MSs that show uncollaborative in preventing fraudsters from entering the EU.

²⁵⁷ See: https://anti-fraud.ec.europa.eu/media-corner/news/la-douane-francaise-et-lolaf-presentent-les-resultats-de-loperation-octopus-ii-2018-06-25_en

Annex X: Detailed overview tools

Tool 1: EoI

At the request of a Member State, the requested Member State shall share any information that may help to conduct a correct assessment of VAT, monitor the correct application of VAT, particularly on intra-Community transactions, and combat VAT fraud (art. 7.1). The requested authority is responsible for running administrative enquiries necessary to obtain such information (art. 7.2). Except for extraordinary cases, information requests will be sent using a standard form (art. 8). Requested information shall be shared within three months (if the information is not yet collected) or within one month (if the information is directly available) (art. 10). When the requested Member State cannot share information in time, it shall let the requesting Member State know and inform when it considers it would be likely to be able to respond (art. 12).

The requested Member State has a quasi-mandatory information provision duty. However, if the requested authority takes the view that no administrative enquiry is necessary, it shall immediately inform the requesting authority of the reasons thereof (art. 7.4). Moreover, an enquiry into the amounts declared or those that should have been declared may be refused solely on any of the following grounds:

- There are two conditions to the obligation to provide the information: (i) The number and the nature of the requests do not impose a disproportionate administrative burden, and (ii) the requesting authority has exhausted the usual sources of information (Art. 54.1).
- Where the laws or administrative practices of the requested Member State do not authorise it to carry out those enquiries or collect or use that information for that Member State's own purposes (Art. 54.2)
- Where the requesting Member State is unable, for legal reasons, to provide similar information (Art. 54.3)
- Where the provision of the information would lead to the disclosure of a commercial, industrial or professional secret or of a commercial process, or of information whose disclosure would be contrary to public policy (Art. 54.4)
- Where the requested authority had already supplied information on the same taxable person as a result of an administrative enquiry held less than two years previously (Art. 54.4).

Article 7(4a), introduced in 2018, refers to the provisions for the EoI between MSs in order to combat fraud in the VAT system. It states that where the competent authorities of at least two MSs submit a common reasoned request containing indications or evidence of risks of VAT evasion or fraud because they consider that an administrative enquiry into the amounts declared or those that should have been declared, the requested authority shall not refuse to undertake that enquiry except on the grounds provided for in point (b) of Article 54(1), Article 54(2), (3) or (4). It should be highlighted that point (a) of Article 54 (1), "about disproportionate administrative burden", is not mentioned. Moreover, Article 7 (4a) also establishes the possibility, under certain conditions, of the participation and presence of officials of the requesting MS in the administrative enquiry.

When looking at EoI without request, the Regulation states that an MS shall, in the following situations, without prior request, forward any information to another MS that may help to conduct a correct assessment of VAT, monitor the correct application of VAT, and combat VAT fraud:

- Where, in the case of trade between the MS (i.e. the MS of Origin) and another MS (MS of Destination), taxation is deemed to take place in the other MS, and the to-be-sent information is necessary for the collection of the taxes (art. 13.1(a)).
- Where there are grounds to believe that a breach of VAT legislation has been or is likely to have been committed in the other MS (art. 13.1(b)).
- Where there is a risk of tax loss in the other MS (art. 13.1(c)).

Also here, information will be sent using a standard form (art.13.3). EoI, in the absence of a prior request, will either be automatic or spontaneous (art. 13.2). Automatic information exchanges (art. 14) applies for some predefined categories of information. The MS can abstain from providing the information if collecting it would imply disproportionate burdens for VAT-liable persons and the MS itself (art. 14.1.). Spontaneous information exchanges (article 15) is a residual category for cases in which certain information does not fall within the scope of automatic information exchanges, but a Member State nevertheless considers the information as useful to the other Member State.

Spontaneous exchange of information (article 15) refers to situations where a tax authority shares information with another tax authority without a specific request. This approach allows tax authorities to share information that may be relevant to the prevention or investigation of VAT fraud, even if there is no ongoing investigation or specific request for information. It could be useful for an authority but also burdensome, especially if the information is not relevant, accurate, or timely. For example, if the shared information is outdated or not specific enough, it may not be helpful for the receiving tax authority in its efforts to combat VAT fraud.

The requested Member State has, in the case of information exchanges upon request or spontaneous exchanges, the right to ask for feedback on the use of the information and quality of information it provided (art. 16). The requesting Member State will answer to this feedback request as soon as possible unless it would lead to an unreasonable administrative burden (art. 16).

Article 25 states that the requested authority must notify the addressee of all instruments and decisions which stem from the competent authorities and concern the application of VAT legislation in the territory of the Member State in which the requesting authority is established.

Tool 2: Presence of officials in the territory of another Member State for administrative enquiries

Two MSs can, by agreement, authorise officials of the requesting Member State to be present in the administrative offices of the requested Member State (art. 28.1) or to be present during administrative enquiries (art. 28.2). The purpose should be exchanging any information that may help to conduct a correct assessment of VAT, monitor the correct application of VAT, and combat VAT fraud. The 2018 amendments added paragraph 2a to article 28, which allows administrative enquiries to be carried out jointly.

Tool 3: Simultaneous controls²⁵⁸

Articles 29 and 30 stipulate that authorities can execute coordinated checks on the tax situation of a taxable person or related taxable persons jointly if this appears to be more effective than one authority could do alone.

Tool 4: Schemes included in Chapter XI

OSS is a voluntary system that was introduced by the EU to simplify the process of declaring and paying VAT on cross-border e-commerce transactions within the EU. It allows businesses to

²⁵⁸ MLC is also used sometimes as a term. This concept is not included in the Council Regulation (EU) 904/2010, but it is in the Regulation (EU) 2021/847 of the European Parliament and of the Council of 20 May 2021 establishing the 'Fiscalis' programme: "Multilateral or simultaneous control, consisting in the coordinated checking of the tax situation of one or more related taxable persons, that is organised by two or more participating countries, including at least two MS, with common or complementary interests".

declare and pay VAT on their e-commerce sales in a single EU Member State rather than having to register for VAT in each country where they sell goods or services to consumers. Under the OSS, businesses can register for VAT in their home Member State and then use the OSS to report and pay VAT on their e-commerce sales to consumers that are not taxable persons (B2C) in other MSs. This simplifies the VAT compliance process for businesses and reduces the administrative burden of VAT compliance. The OSS is administered by the Commission and is available to businesses that are registered for VAT in an EU Member State. It is an important tool in the EU's efforts to create a single market for e-commerce and to ensure that VAT is paid correctly on cross-border transactions.

The Mini One-Stop Shop (MOSS), created in 2015, has converted into the One-Stop Shop on July 1, 2021. The idea behind the One-Stop Shop is that businesses can submit all VAT they ought to pay in the Union in one MS, the so-called MS of identification. This MS of identification then transfers the VAT it received such that all other MSs receive their shares. Where the Mini One-Stop Shop only applies to sellers in the cross-border telecommunication, television & radio broadcasting and digital services industries, the One-Stop Shop covers all cross-border B2C services.²⁵⁹

IOSS is a similar system to the OSS but focuses on sales of imported goods. It allows businesses to pay VAT on imported goods in a single EU Member State rather than having to register for VAT in each Member State where they import goods.

Articles 47i and 47j are tools to control transactions and taxable persons in the context of the OSS. Article 47i provides the MS of consumption with a legal basis to make a request to the Member State of identification. Article 47j obliges the Member State of identification to inform in advance the competent authorities of all the other MSs about its decision to carry out an administrative enquiry in its territory on a taxable person who makes use of one of the special schemes. Moreover, if the MS of consumption decides that an administrative enquiry is required, it shall first consult with the Member State of identification on the need for such an enquiry. In cases where the need for an administrative enquiry is agreed upon, the MS of identification shall inform the other MSs.

Tool 5: VIES and recapitulative statements.

VIES on the Web is an online platform that allows businesses to check the validity of VAT registration numbers (VRNs) and related information issued by other EU MSs. The platform is part of the EU VIES, which was established to improve cooperation between MSs and combat VAT fraud. VIES on the Web is available to businesses that are registered for VAT in an EU MS and allows them to verify the VRN of a business in another MS. This is important because intra-B2B sales are VAT exempt, and a condition for this is that the acquirer holds a valid VRN. Vies on the Web is used to validate such VRN.

Recapitulative statements provide aggregated information to national tax administrations about the supplies of goods and services made to their territory from other MSs. They allow tax administrations to follow the flow of goods and services in order to help fight intra-EU fraud.

Tool 6: eFCA

The Regulation provides for the eFCA to facilitate the EoI between MSs. The Commission was authorised to develop an eFCA to be used for the EoI between MS. This application is intended to make the EoI more efficient and secure. The purpose of this central application is to standardise the EoI between MSs and to ensure that the information is accurate and complete. It is also intended to

²⁵⁹ European Commission, 2016. VAT in the Digital Age, Volume 3: Single Place of VAT Registration and Import One-Stop Shop, p.16

reduce the administrative burden on tax authorities by providing a single, centralised platform for EoI.

Tool 7: VAT cross-border refund

The VAT cross-border refund refers to the process of obtaining a refund of VAT paid on purchases made in a foreign (another EU) country. Under the EU VAT system, businesses that are established in one MS and make purchases in another MS may be eligible to claim a refund of the VAT paid on those purchases. To claim a VAT cross-border refund, businesses must first register for VAT in their home MS and obtain a VAT identification number. They must then submit a claim for a VAT refund to the tax authorities in their home MS, along with the necessary documentation, such as invoices and receipts for the purchases made in the foreign MS. The process of obtaining a VAT cross-border refund takes time and administrative effort, as it requires businesses to comply with the VAT rules and procedures of both their home MS and the foreign MS where the purchases were made. However, it is an important tool for businesses that make regular purchases in other EU MSs and can help to reduce the overall cost of doing business in the EU.

Tool 8: Eurofisc

Eurofisc is a network created by the Regulation and without legal personality for the swift exchange, processing, and analysis of targeted information on cross-border VAT fraud between MSs and for the coordination of any follow-up actions.²⁶⁰ The competent authority of each EU Member State designates at least one Eurofisc liaison official and, together, appoints a Eurofisc chairperson. MSs can participate in the Eurofisc working areas of their choice and may also decide to terminate their participation therein. Originally, the network consisted of six Working Fields (WF), now it consists of three WFs:

- WF 1 on the fight against Missing Trade Intra-Community Fraud (MTIC);
- WF 2 on the fight against VAT fraud with means of transport;
- WF 5 on the fight against VAT fraud in e-commerce.

In the first quarter of 2022, WF 3 on the fight against VAT fraud related to the abuse of customs procedures was integrated into WF 1, as customs databases were already being used by WF 1 to analyse MTIC fraud in connection with VAT fraud related to the abuse of customs procedures. WF 4, the observing of VAT fraud tendencies, was also cancelled, as a different post within the Eurofisc Group was created to take up this responsibility. Moreover, in 2022, an Advisory Board was set up as a pilot project with the participation of representatives of the Tax Administration EU Summit (TADEUS, a forum for the heads and deputy heads of MSs' tax administrations).

A key objective of the Eurofisc network is facilitating exchanges of targeted information between MSs in order to fight VAT fraud. It concerns, among other things, VAT registration numbers, data on recapitulative statements on Intra-Community transactions, and invoices. Traditionally, this occurred by means of the exchange of Excel Files. Recently, the TNA tool has been developed and is used by some Working Fields, mainly WF 1.

Tool 9: Cooperation with national customs authorities

The Regulation provides for cooperation between MSs and national customs authorities in order to enhance the effectiveness of combating VAT fraud (art. 17 and 21). MSs shall cooperate with their national customs authorities in order to detect, prevent and combat fraud in the field of VAT. The Regulation also requires MSs to provide each other with all necessary information to ensure the correct application of VAT rules, including information relevant to CP42 or IOSS. These measures are intended to enhance the effectiveness of cooperation and to improve the detection of VAT fraud.

²⁶⁰ See: Case Study 1 in Annex VIII for a detailed a description about the functioning of the Eurofisc Network.

Tool 10: OLAF

Article 49.2(a) of the Regulation states that MSs may communicate relevant information to OLAF that would enable the office to take action in accordance with its mandate.

About Ecorys

Ecorys is a leading international research and consultancy company addressing society's key challenges. With world-class research-based consultancy, we help public and private clients make and implement informed decisions leading to a positive impact on society. We support our clients with sound analysis and inspiring ideas, practical solutions and delivery of projects for complex market, policy and management issues.

In 1929, businessmen from what is now Erasmus University Rotterdam founded the Netherlands Economic Institute (NEI). Its goal was to bridge the opposing worlds of economic research and business – in 2000, this much respected Institute became Ecorys.

Throughout the years, Ecorys expanded across the globe, with offices in Europe, Africa, the Middle East and Asia. Our staff originates from many different cultural backgrounds and areas of expertise because we believe in the power that different perspectives bring to our organisation and our clients.

Ecorys excels in seven areas of expertise:

- Economic growth;
- Social policy;
- Natural resources;
- Regions & Cities;
- Transport & Infrastructure;
- Public sector reform;
- Security & Justice.

Ecorys offers a clear set of products and services:

- preparation and formulation of policies;
- programme management;
- communications;
- capacity building;
- monitoring and evaluation.

We value our independence, our integrity and our partners. We care about the environment in which we work and live. We have an active Corporate Social Responsibility policy, which aims to create shared value that benefits society and business. We are ISO 14001 certified and supported by all our staff.



P.O. Box 4175
3006 AD Rotterdam
The Netherlands

Watermanweg 44
3067 GG Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 68
E netherlands@ecorys.com
Registration no. 24316726

W www.ecorys.nl

Sound analysis, inspiring ideas