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REPORT

on a co-ordinated strategy to improve the fight against fiscal fraud
(2008/2033(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Sharon Bowles

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on a co-ordinated strategy to improve the fight against fiscal fraud (2008/2033(INI))

The European Parliament,

- having regard to the Commission communication concerning the need to develop a co-ordinated strategy to improve the fight against fiscal fraud (COM(2006)0254),
 - having regard to the Commission communication concerning some key elements contributing to the establishment of the VAT anti-fraud strategy within the EU (COM(2007)0758),
 - having regard to the Commission report on the use of administrative cooperation arrangements in the fight against VAT fraud (COM(2004)0260),
 - having regard to the Council Presidency conclusions of 7 June 2006, 28 November 2006, 5 June 2007 and 14 May 2008,
 - having regard to the Court of Auditors' Special Report No 8/2007 concerning administrative cooperation in the field of value added tax,
 - having regard to the Commission communication on the contribution of taxation and customs policies to the Lisbon Strategy (COM(2005)0532),
 - having regard to the Commission communication on measures to change the VAT system to fight fraud (COM(2008)0109),
 - having regard to the proposals from the Commission for a Council Directive amending Directive 2006/112/EC on the common system of value added tax to combat tax evasion connected with intra-Community transactions and for a Council Regulation amending Regulation (EC) No 1798/2003 to combat tax evasion connected with intra-Community transactions (COM(2008)0147),
 - having regard to Article 8 of the Charter of Fundamental Rights of the European Union,
 - having regard to the recommendations in the Council Presidency Conclusions of 14 May 2008 on tax issues related to agreements to be concluded by the Community and its Member States with third countries,
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Legal Affairs (A6-0312/2008),
- A. whereas tax fraud has serious consequences for national budgets and the European Union's resource system, leads to violations of the principle of fair and transparent taxation, and is liable to bring about distortions of competition, thereby affecting the

operation of the internal market; whereas honest businesses have competitive disadvantages because of tax fraud, and the loss of tax revenue is ultimately replenished by the European taxpayer through other forms of taxation;

- B. whereas fiscal fraud jeopardises equity and fiscal justice, since the loss of income to public finance is often compensated by a tax increase hitting the least affluent and most honest taxpayers, who do not have the option or the intention of evading or infringing their tax obligations,
- C. whereas the growth of cross-border trade triggered by the establishment of the internal market means that there is an increasing number of transactions in which the place of taxation and the place of establishment of the person liable to pay the VAT are in two different Member States,
- D. whereas new forms of tax fraud linked to cross-border transactions, such as carousel or missing-trader intra-Community fraud, have taken advantage of the fragmentation and loopholes of the current tax systems, and changes in the way VAT operates are necessary,
- E. whereas VAT evasion and fraud have an impact on the financing of the budget of the European Union, as they result in an increased need to call on Member States' own resources based on gross national income,
- F. whereas combating fraud, while for the most part within Member State competence, is not a problem that can be solved at national level alone,
- G. whereas globalisation has led to increasing difficulties in combating fiscal fraud at an international level, given the increased involvement of undertakings established in third countries in carousel fraud, the expansion of electronic commerce and the globalisation of services markets; whereas those factors militate strongly in favour of improving international cooperation, in particular as regards VAT,
- H. whereas the extent of tax fraud in the European Union is due to the current transitional system of VAT, which is too complex, making intra-Community transactions difficult to track, opaque and thus open to abuse,
- I. whereas, when examining options, the Commission and the Member States should, to the greatest extent possible, avoid measures that could lead to a disproportionate administrative burden on businesses and tax administrations or that could discriminate between traders,
- J. whereas both the Commission and the Court of Auditors have consistently stated that the system for exchanging information between Member States on intra-Community supplies of goods does not provide relevant or timely information for tackling VAT fraud efficiently; whereas this calls for clearer and more binding rules on cooperation between Member States, and the European Anti-Fraud Office (OLAF),
- K. whereas the use of all available technologies, including the electronic storage and transmission of certain data for VAT and excise duties, is indispensable for the proper functioning of Member States' tax systems; whereas the conditions for the exchange of,

and direct access of Member States to, electronically stored data in each Member State should be improved; whereas Member States' tax authorities should handle personal data with due care for specified purposes and on the basis of the consent of the person concerned or some other legitimate basis laid down by law,

- L. whereas traders can often obtain only very fragmented information on the VAT status of their customers,
- M. whereas the strengthening of the means of detecting tax fraud should be accompanied by a reinforcement of the existing legislation on assistance in the recovery of taxes, equality in tax treatment and practicability for businesses,

The EU fiscal fraud strategy

1. Notes that the purpose of the EU fiscal fraud strategy must be to tackle tax losses due to fiscal fraud by identifying the areas in which improvements to both EC legislation and administrative cooperation between Member States can be made, which effectively promote the reduction of tax fraud, to the greatest extent possible without creating unnecessary burdens both for tax administrations and tax payers;
2. Calls on the Member States finally to take the fight against fiscal fraud seriously;
3. Recalls that the establishment of a VAT system based on the 'origin principle', which implies that transactions between Member States liable to VAT would bear the tax charged in the country of origin instead of being zero-rated, remains a long-term solution for combating tax fraud effectively; notes that the 'origin principle' would make it unnecessary to exempt goods traded in the internal market from VAT and to tax them subsequently in the country of destination; recalls that in order to be operational, a VAT system based on the 'origin principle' requires tax approximation between countries to avoid tax competition, as well as the establishment of a clearing system, as originally proposed by the Commission in 1987;
4. Regrets the blockading attitude of some Member States in the last ten years, which has thwarted any effective EU strategy to counter fiscal fraud;
5. Regrets that in spite of repeated analyses, demands, and objections, the Council has not yet adopted an effective strategy for the fight against fiscal fraud;
6. Urges the Commission not to desist from tackling the problem head-on, in spite of repeated failures in past decades;

General issues: extent of fiscal fraud and its consequences

7. Acknowledges that estimates of overall (direct and indirect) tax losses due to fiscal fraud range from EUR 200 to 250 billion, which is equal to 2 to 2,25 % of GDP in the European Union, EUR 40 billion of that being due to VAT fraud, estimated to comprise 10 % of VAT receipts, 8 % of the total excise duty receipts on alcoholic beverages in 1998 and 9 % of the total excise duty receipts on tobacco products; regrets, however, that no precise figures are available because national reporting standards vary so widely;

8. Calls for a uniform data survey in all the Member States as the basis for transparency and national measures against tax fraud;
9. Regrets, as a result of the lack of data collected at national level, that neither the real extent of the problem can be properly assessed, nor the monitoring of changes, whether positive or negative, properly evaluated;
10. Calls on the Commission to consider a harmonised European system for collecting data and producing statistics on fiscal fraud, so as to reach an assessment of the full extent of the phenomenon that is as accurate as possible;
11. Recalls that the elimination of the informal economy can not be realised without the implementation of appropriate incentives; suggests, moreover, that Member States should report, via the Lisbon scoreboard, the extent to which they have succeeded in reducing their informal economies;

The current VAT system and its weaknesses

12. Notes that VAT-related tax fraud is a matter of particular concern for the functioning of the internal market in so far as it has a direct cross-border impact, involves substantial amounts of lost revenue and directly affects the EU budget;
13. Reiterates that the current VAT system, established in 1993, was intended only to be a transitional system and that Parliament has requested that the Commission put forward proposals aimed at making a final decision on the definitive VAT system by 2010;
14. Asserts that the free circulation of persons, goods, services and capital within the internal market since 1993, as well as advances in new technology of small, high-value goods, have combined to make it increasingly difficult to combat VAT fraud, this being exacerbated by the complexity and fragmented nature of the current system which makes transactions difficult to track and thus more open to abuse;
15. Notes the increasing occurrence of missing-trader fraud and the deliberate abuse of the VAT system by criminal gangs who set up such schemes to take advantage of the failures in the system; and highlights the VAT carousel fraud case launched by Eurojust, involving 18 Member States and tax fraud amounting to an estimated EUR 2,1 billion;
16. Supports the Commission in its efforts to bring about a fundamental change to the current VAT system; welcomes the fact that Member States do now regard this as a matter of some priority and urges Member States to be prepared to take substantive measures in this context;
17. Considers the current system to be outdated and in need of radical overhaul without overburdening honest businesses with red tape; believes that maintaining the status quo is not an option;

Alternative systems to the current VAT system

Reverse Charge mechanism

18. Notes that in a reverse-charge system VAT is accounted for by the taxable customer instead of the supplier; recognises that that mechanism has the advantage of removing the opportunity to engage in missing-trader fraud, by designating the taxable person to whom the goods are supplied as the person liable to pay the VAT;
19. Notes that the creation of a double-VAT system would run counter to the efficient operation of the internal market and would be the source of a more complex environment that could discourage business investment, which would be overcome in the long term only by a generalised, mandatory reverse-charge system, as opposed to an optional or selected supplies-only system;
20. Notes, furthermore, that the reverse-charge system does not allow for fractionated payment and total VAT is paid only at the end of the supply chain, removing the self-policing control mechanism of VAT; warns that new forms of fraud may appear including increased tax losses at the retail level and the misuse of VAT identification numbers, and that combating such fraud through the introduction of additional verification could result in additional administrative burdens for honest traders; consequently urges caution and serious consideration before the introduction of a reverse-charge system; notes, nevertheless, that the application of a threshold in order to limit the risk of untaxed final consumption helps combat fraud and considers the EUR 5 000 threshold suggested by the Council to be reasonable;

Pilot Project

21. Notes, while remaining wary and critical, that a pilot project may help Member States better to understand the inherent risks of the reverse-charge mechanism, and urges the Commission and the Member States to lay down appropriate guarantees to ensure that neither the Member State participating nor any other Member State is exposed to major risks during the operation of the pilot project;

Taxation of intra-Community supplies

22. Believes that the best solution to tackle VAT fraud related to cross-border supplies is to introduce a system in which the VAT exemption for intra-Community supplies is replaced by taxation at the rate of 15 %: notes that the operation of that system would be better served if the variety and complexity of reduced rates were substantially simplified, minimising the administrative burden on both businesses and tax authorities; notes that individual reductions of VAT rates put in place before 1992 should be carefully examined and assessed with respect to whether their persistence is justified on economic grounds;
23. Recognises that because of differential VAT rates, the taxation of intra-Community supplies would require rebalancing payments between Member States; considers that such rebalancing should be made through a clearing house that would facilitate the passing of revenue between Member States; stresses that the operation of a clearing house is technically feasible;
24. Believes that a decentralised clearing house system may be more appropriate and could be developed more rapidly, in so far as it opens up possibilities for Member States bilaterally to agree details of importance, taking into account their individual balance of trade,

similarities of operating the VAT system and their control mechanisms, and mutual trust;

25. Emphasises that it should be the responsibility of the tax administration of the Member State of supply to collect the VAT from its supplier and to make a transfer via the clearing system to the tax administration where the intra-Community acquisition has taken place; recognises that it is necessary to build mutual trust between tax administrations;

Administrative cooperation and mutual assistance in the field of VAT, excise duties and direct taxation

26. Stresses that Member States cannot combat cross-border tax fraud in isolation; believes that exchanges of information and cooperation between Member States and with the Commission have been insufficient to combat tax fraud effectively in either substance or speed; considers that direct contact between local or national anti-fraud offices is neither developed nor sufficiently implemented, leading to inefficiency, under-use of the arrangements for administrative cooperation and delays in communication;
27. Insists that in order to protect fiscal revenue of all the Member States in relation to the internal market, Member States should take comparable measures against fraudsters, in particular in terms of sanctions and criminal proceedings, regardless of where losses of revenue take place; calls on the Commission to propose possible mechanisms to promote such cooperation between Member States;
28. Welcomes the Commission's proposals for the amendment of the VAT Directive and the VAT Administrative Cooperation Regulation to speed up the collection and exchange of information on intra-Community transactions from 2010 onwards; recognises that the proposed reporting rules of one month will add an administrative burden to businesses that provide only services which are presently not subject to that rule, but accepts that this is necessary in view of the possibility of carousel fraud in some services;
29. Urges the Council to adopt proposed measures quickly and invites the Commission to submit further proposals on the automated access by all other Member States to certain non-sensitive data held by Member States on their own taxable persons (business sector, certain data concerning turnover, etc.), and on the harmonisation of the procedures for the registration and de-registration of persons liable for VAT to ensure the swift detection and de-registration of fake taxable persons; stresses that Member States must take responsibility for keeping their data up to date, in particular, as regards de-registering and the detection of fraudulent registrations;
30. Recalls that tax havens represent a barrier to the implementation of the Lisbon Strategy, as they put downward pressure on tax rates and, in general, on tax revenues, thereby exacerbating the effects of tax competition, which erodes the fiscal sovereignty of Member States;
31. Stresses also that in times of budgetary discipline any erosion of the fiscal base provoked by tax havens or unrestrained tax competition will jeopardise Member States' ability to comply with the reformed Stability and Growth Pact; and that a decrease in public revenue jeopardises the European Social Model;

32. Stresses that removing tax havens requires, inter alia, a three-pronged strategy: tackling tax avoidance, widening the scope of the Savings Tax Directive and requesting that the OECD, through its members, sanction non-cooperative tax havens;

Tax Evasion

33. Regrets that the Member States are hindering reform of the Savings Tax Directive by their continual new objections and delaying tactics and urges the Commission to put forward its proposals as soon as possible in spite of the signs of resistance;

34. Points out that reform of the Savings Tax Directive must tackle its various loopholes and deficiencies, as they facilitate tax evasion and fiscal fraud operations;

35. Calls on the Commission, in the context of reform of the Savings Tax Directive, to examine options for reform, including the widening of the directive's scope to cover all legal entities and all sources of financial revenue;

36. Urges the European Union to make the elimination of tax havens at a worldwide level a priority, considering their detrimental effects on the tax revenue of individual Member States; invites the Council and the Commission to use the leverage of EU trade power when negotiating trade and cooperation agreements with the governments of tax havens, in order to persuade them to eliminate tax provisions and practices that favour tax evasion and fraud; welcomes, as a first step, the recommendations of the Council of 14 May 2008 to include in trade agreements a clause on good governance in tax matters; and asks the Commission to put forward immediately such a clause in the negotiations of trade agreements in the future;

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37. Instructs its President to forward this resolution to the Council, the Commission and the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Extent of fiscal fraud

Tax fraud has serious consequences for national budgets, leads to violations of the principle of fair taxation and is liable to bring about distortions of competition, thereby affecting the operation of the internal market. Distortions caused by VAT fraud affect the overall balance of the resource system which has to be fair and transparent in order to guarantee the well functioning of the Community.

Though investigations into the magnitude of VAT evasion and fraud have not been carried out in all Member States, several estimates have been published. The International VAT Association quotes estimates of VAT losses ranging from 60 billion to 100 billion euro per annum across the European Union. In the United Kingdom alone, HM Revenue and Customs (HMRC) estimate that in the tax year 2005-2006 VAT revenue losses amounted to 18,2 billion euro. In Germany, the Ministry of Finance published the results of a study which estimated, for 2005, VAT losses of 17 billion euro. Furthermore, as the Court of Auditors recalls, VAT evasion and fraud also impact on the financing of the EU budget, resulting in an increased need to call from Member States own resources based on gross national income.¹

VAT fraud

By way of reminder, the current "transitional" system, which dates back to 1993, is the result of a compromise between the decision to create a single market without border controls, on the one hand, and the fact that Member States did not agree to a degree of VAT harmonisation such as to achieve a completely homogeneous internal market, on the other. The Commission initially proposed the adoption of the origin system (i.e. the taxation at the rate of the exporting Member State). The Council adopted the so-called "transitional system", which enabled controls at the Community's internal borders to be abolished whilst allowing tax to continue to be collected in the Member State of destination.

Under the transitional system, VAT (as a consumption tax) is charged at the place of consumption as a percentage of the cost of the actual product. As a product moves from one company to the next (between VAT registered traders) VAT is charged and collected and remitted to the domestic fiscal authority.

As regards intra-Community transactions, which are currently zero-rated, an exporter does not charge VAT, but is able to claim a refund of input VAT; conversely, a purchaser does not pay VAT, but has to charge it on subsequent sales and remit the VAT income to its fiscal authority.

Problems

¹ Court of Auditors' Special report No 8/2007 concerning administrative cooperation in the field of value added tax, paragraph 2.

Credit and refund mechanism

Whereas most of the VAT evasion is linked to the shadow economy, a growing share of VAT evasion can be seen as a side-effect of the VAT arrangements described above, that were put in place 1993, in particular in the case of zero-rated intra-Community transactions, where traders do not charge VAT but still can claim a refund of input VAT. Since intra-Community transactions are zero-rated, such transactions can give rise to VAT evasion either in the supplier country (because the supplier, after having declared an intra-Community delivery, retains goods for sale in the domestic market without VAT) or in the country of destination (because the recipient fails to pay VAT due on arrival) or by operating the so-called missing trader fraud.

Missing trader fraud

Under this type of fraud (also known as "Carousel fraud"), fraudsters import goods that are zero-rated, charge VAT when selling the goods on in the supply chain but pocket the money instead of handing it over to the tax authorities. The 'carousel' continues if the goods are repeatedly exported and imported. Losses multiply. This entails a deliberate abuse of the system by criminal gangs who set up such schemes to take advantage of the system. Advancements in technology and the development of high value, low weight goods has made it easier for fraudsters to conduct carousel fraud. Mobile phones and chip technology are where fraud has been most prevalent.

Zero-ratings

The zero-rating of exports (which entails the refunding of VAT to exporters) has been identified as the main factor allowing carousel fraud to happen.

Possible alternative systems

Reverse Charge

In a reverse-charge system, VAT is accounted for by the taxable customer instead of the supplier. As the customer, in so far as they are entitled to full deduction, deducts this VAT on the same VAT declaration, the net result is nil and no payment is to be made. The reverse charge is not applied to supplies to private individuals and the supplier has, in that case, to charge and pay to the authorities total amount of VAT. There is no fractionated payment in a reverse-charge system as the total VAT is paid only at the end of the supply chain. In other words, a generalised reverse-charge mechanism would take away the main feature of VAT, namely the payment of VAT on supplies and the deduction of VAT on purchases, which provides for a self-policing control mechanism.

During its Presidency Germany proposed the application of a reverse charge mechanism but this was met with limited enthusiasm. Suggestions have also been made for a Member State to undertake an across the board reverse charge pilot project.

The reverse charge does have critics, that as with sales tax, the collection of VAT rests on the end trader who is responsible for paying all the VAT to the authorities. Also with the reverse charge new types of fraud can arise in the form of increased tax losses at the retail level and

the misuse of VAT identification numbers. To overcome this, the system could be accompanied by the introduction of checking measures, but this would constitute an additional burden to business.

As a first checking measure a threshold could be applied in order to limit the risk of untaxed final consumption. The Council has suggested that this threshold be set at 5000 EUR. The system would thus work as follows:

- when the customer does not qualify for the application of the reverse charge (mainly private persons but also non-taxable legal persons and fully exempt taxable persons) the supplier will have to charge VAT to his customer;
- when the customer is a taxable person qualifying for application of the reverse charge, the supplier will have to verify the amount of the transaction;
- when the taxable amount of the supply is less than €5 000, the supplier would have to charge VAT to his customer. The business customer can deduct this VAT under the normal rules;
- when the taxable amount of the supply is equal to or above €5 000, the supplier will not charge VAT on the supply. The business customer will account for the VAT on this supply and will be able to deduct this VAT under the normal rules.

The Commission, based on several studies, considers that the correct application of the threshold is the most costly element for businesses.

Finally, the question arises whether the proposed reverse-charge system should be optional or mandatory. The Commission and a large majority of Member States have made clear that an optional generalised reverse charge system would imply the creation of a double VAT system that would run against the efficient operation of the internal market and would be the source of a more complex environment that could discourage business investment.

Pilot project In view of the lack of empirical evidence, a pilot project could provide a more substantive reply to the questions regarding the feasibility of the proposed system. Care should be taken that neither the Member State volunteering nor any other Member State are exposed to major risks.

Origin system According to this system, VAT is charged at the rate of the exporting Member State. As explained above, the Council decided to adopt a "transitional system" so the option to introduce an origin system would go back to the original idea envisaged by the Commission. Member States were not at that time, and are still not willing to cede their sovereignty as regards setting the level of VAT rates. Therefore, for this system to have any chance of serious consideration by the Council, it should not require rate harmonisation.

One solution would be to reassess the proposals for the setting up of a **clearing house** as proposed in advance of 1992 but for reasons outlined above Member States were not supportive. With the rise in fraud and technological advance it is well worth raising again. To retain the founding principle of VAT, that is being a consumption tax, VAT would be charged at the rate of the exporting country, and a clearing house would facilitate the passing of revenue amongst Member States. The Member State of supply would have to forward the VAT collected to the importing Member State. Where the Member State of arrival of the goods applies a rate of more than 15%, that additional VAT will accrue to that Member State;

where the Member State of arrival of the goods applies a rate lower than 15% because of the application of one or more reduced VAT rates or the zero rate in certain Member States, the Member State of the purchaser will allow a credit to the taxable person making the intra-Community acquisition. In the same vein, the Member State of arrival will be able to collect VAT that results from any limitation applicable to the acquirer's right to deduct input VAT. In this way, distortions of competition which might otherwise arise from different national levels of VAT rates would be avoided.

The main difficult issue, which is a political one, would be that of making individual Member States's tax receipts dependant on transfers made by other Member States. In other words, two groups of Member States would emerge, i.e. net receivers (i.e. those where the amount of intra-Community acquisitions exceeds the intra-Community supplies) and net contributors (i.e. those in which the total amount of intra-Community supplies exceeds the total amount of intra-Community acquisitions). As it is shown in the annex, and depending on their respective bilateral trade balance, 16 Member States, under a system of taxed intra-Community supplies would be "net receivers", whereas the rest would be "net contributors".

Destination system- Another option could be to charge VAT at the rate of the importing member state (where the buyer is). There would be no need for clearing but this would have to go together with a "one stop shop" system whereby a trader could fulfil all his VAT obligations for EU-wide activities in the Member State in which they are established.

Administrative cooperation and mutual assistance in the field of VAT, excise duties and direct taxation

Combating fraud, whilst being largely a Member State competence, is not a problem that can be solved at national level only. The fight against tax fraud should be a priority for the EU and should call for close cooperation between the administrative authorities in each Member State and with the Commission.

Exchanges of information between the respective administrations as well as between administrations and the Commission are not sufficiently intensive and fast in order to combat fraud more effectively. Direct contact between local or national anti-fraud offices is not sufficiently developed and implemented, which leads to inefficiency, under-use of the arrangements for administrative cooperation and delays in communication. To solve this requires more cooperation between Member States, and raises the question of whether binding rules need to be made. Easier understanding of each other's systems or common basis, such as through CCCTB, would also help. Unfortunately, some see common bases as a step to encroachment on tax rates.

The use of all available technologies, including the electronic storage and transmission of certain data for VAT and excise duties control purposes is indispensable for the proper functioning of the tax systems. The conditions for the exchange of, and direct access of Member States to, electronically stored data in each Member State should therefore be improved. In particular, real time transactions using an electronic system to log and validate transactions would give authorities greater opportunities to identify and combat fraudulent behaviour. Care would need to be taken to ensure proper data protection regimes.

Annex - Trade Balance between Member States (source: Eurostat)

Member State	2005		2006	
	Trade deficit €m	Trade surplus €m	Trade deficit €m	Trade surplus €m
AT	-10 092		-8 376	
BE		21 539		22 700
BG	-2 283		-2 384	
CY	-2 649		-3 042	
CZ		3 636		5 035
DE		98 946		103 087
DK		5 227		2 996
EE	-1 427		-2 852	
EL	-16 655		-18 363	
ES	-36 898		-37 406	
FI	-1 396			122
FR	-37 210		-38 664	
HU		3 537		4 105
IE		19 479		16 691
IT	-186		-738	
LT	-1 202		-2 481	
LU		749		1 410
LV	-2 087		-3 459	
MT	-1 226		-1 076	
NL		116 108		127 332
PL	-5 019		-3 608	

PT	-13 130		-13 432	
RO	-4 915		-7 647	
SI	-2 435		-2 247	
SK		197		1 216
SV	-1 609			222
UK	-55 212		-57 459	
Totals	-195 631	269 418	-203 234	284 916

25.6.2008

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on a coordinated strategy to improve the fight against fiscal fraud
(2008/2033(INI))

Draftsman: Othmar Karas

SUGGESTIONS

The Committee on Legal Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the fight against tax fraud falls to a large extent within the competence of the Member States; whereas, however, the free movement of goods and services within the Community market makes it difficult for the Member States to combat such fraud individually,
- B. whereas Articles 10 and 280 of the EC Treaty require the Member States to take appropriate measures to fulfil the obligations arising out of the Treaty and to coordinate their actions in order to protect the financial interests of the Community,
- C. whereas tax fraud is a growing problem of a global nature, and is estimated to account for 2 to 2.5% of GDP, amounting to EUR 200 to 250 billion, at EU level¹,
 1. Stresses that the fight against tax fraud cannot be managed in isolation; emphasises that there is an evident need for a coordinated Community approach reinforcing cooperation between the Member States and also cooperation with third countries;
 2. Points out that carousel fraud (missing trader fraud) is often perpetrated on a cross-border basis among several Member States by the fraudulent re-importing and re-exporting of goods;
 3. Notes that the Commission is exploring ways of minimising fiscal fraud by modifying the current VAT system, proposing the use of the reverse charge system;
 4. Takes a critical stand towards the reverse charge mechanism and the pilot projects envisaged in this respect; considers that an optional reverse charge mechanism would lead

¹ Commission press communication: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/697>.

to double VAT systems existing in parallel which would eventually create a more complex fiscal environment, result in legal uncertainty and have a negative impact on the business environment, especially on small and medium-sized enterprises;

5. Calls for the fight against fiscal fraud to be continued and intensified by reinforcing the cooperation networks currently existing between the Member States and by developing in parallel innovative measures at the EU level, but without imposing unnecessary bureaucratic burdens on the authorities concerned and on taxpayers; in this respect, welcomes the recent Commission proposals amending the VAT Directive and the VAT Administrative Cooperation Regulation (COM(2008)0147);
6. Calls for the creation of a task force focusing on the evaluation of possible ways of coordinating the cross-border combating of fiscal fraud by the end of the current legislative period.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	25.6.2008
Result of final vote	+: 19 -: 0 0: 1
Members present for the final vote	Carlo Casini, Titus Corlăţean, Bert Doorn, Monica Frassoni, Giuseppe Gargani, Neena Gill, Klaus-Heiner Lehne, Katalin Lévai, Hans-Peter Mayer, Manuel Medina Ortega, Hartmut Nassauer, Aloyzas Sakalas, Francesco Enrico Speroni, Diana Wallis, Jaroslav Zvěřina
Substitute(s) present for the final vote	Sharon Bowles, Sajjad Karim, Georgios Papastamkos, Michel Rocard, József Szájer

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	7.7.2008
Result of final vote	+: 18 -: 1 0: 0
Members present for the final vote	Mariela Velichkova Baeva, Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Elisa Ferreira, Jean-Paul Gauzès, Benoît Hamon, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Wolf Klinz, Astrid Lulling, John Purvis, Alexander Radwan, Eoin Ryan, Peter Skinner, Cornelis Visser
Substitute(s) present for the final vote	Werner Langen