



The future of EU tax policy harmonisation

Cost of non-
Europe report

STUDY



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The future of EU tax policy harmonisation

Cost of non-Europe

The study examines how fragmented tax rules in the European Union could create economic and administrative costs – the 'cost of non-Europe' in taxation. Since tax policy remains largely national, differences in design and enforcement could weaken the single market and limit fair competition.

The study focuses on four areas: wealth taxation, cryptoassets taxation, digitalisation of tax administration, and tax compliance burdens. It finds that divergent wealth and inheritance taxes could allow arbitrage and legal uncertainty; inconsistent crypto tax rules and reporting standards risk revenue losses and unequal treatment; uneven digitalisation of tax administrations leads to gaps in enforcement capacity; and complex, non-aligned procedures impose disproportionate costs particularly on SMEs and cross-border firms.

The study shows that targeted EU-level coordination – such as common definitions, interoperable reporting systems and minimum administrative standards – could raise revenue, reduce compliance and enforcement costs, and support a more integrated and equitable internal market.

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Executive summary

Tax policy in the European Union (EU) is a national competence. Member States design, collect and administer their own taxes, reflecting the central role of taxation in financing public services, redistribution, and domestic policy choices. The Treaties (i.e. the Treaty on European Union and the Treaty on the Functioning of the European Union) give the Union a mandate to act in certain areas. This includes, notably, harmonising indirect taxation where needed for the internal market, and adopting measures to address cross-border distortions that affect the functioning of the internal market – but there is no general EU-level taxing power over individuals or companies.

At the same time, fragmentation in national tax rules and administrative practices leads to measurable costs. These costs manifest as legal uncertainty, duplicated compliance burdens, arbitrage opportunities for mobile taxpayers and firms, uneven enforcement capacity across Member States, and obstacles for cross-border activity inside the single market. This study – echoing the language of the many studies conducted in the late 1980s to examine the benefits of the single market – treats these effects as part of the 'cost of non-Europe' in taxation (i.e. the economic and administrative costs of uncoordinated action).

This study applies the cost of non-Europe in four areas where fragmentation already impacts the single market and where coordination could add value without requiring hard law harmonisation solutions or a transfer of core fiscal sovereignty. These are: i) taxes on wealth, ii) taxes on cryptoassets, iii) the digitalisation of tax administration, and iv) tax compliance burdens. For each area, the analysis assesses how divergences arise, why they matter for fairness and efficiency, and what forms of coordinated EU-level action could mitigate some distortionary effects while staying within the current Treaty framework.

Wealth taxation

Wealth taxation across the EU is structurally fragmented. Some Member States apply comprehensive net wealth taxes, either on individuals or on legal entities, while others rely instead on narrower or selective instruments such as recurrent taxes on real estate, targeted levies on certain categories of financial assets above specified thresholds, or inheritance and gift taxes. The scope and design of these taxes differ substantially: in some systems, taxable wealth is defined broadly and may include financial assets, real estate, business ownership and, in some cases, pension entitlements, while in others the base is limited to immovable property or liquid financial assets. Valuation rules also vary, with some jurisdictions regularly updating asset values to reflect market conditions and others relying on legacy cadastral assessments (registers of property values) that diverge from actual prices. Thresholds, exemptions and allowances are similarly heterogeneous, including in areas such as primary residences, family businesses or agricultural land. As a result, individuals with similar levels of economic capacity can face very different effective tax burdens depending on the jurisdiction in which they are resident, the structure of their assets and where those assets are located.

Inheritance and gift taxation are widespread but similarly diverse. Some Member States levy progressive inheritance taxes with substantial allowances for transfers within the immediate family combined with higher rates for transfers to more distant relatives or unrelated beneficiaries. Other Member States have abolished inheritance and gift taxes altogether or apply only very limited

versions with broad exemptions and low effective yield. In cross-border cases, this fragmentation creates concrete legal problems. Because national laws differ in how they define tax residence, the situs (location for legal purposes) of assets and the scope of taxable transfers, bequests and gifts can be taxed twice or not taxed at all. Disputes must often be resolved on a case-by-case basis either because the double tax treaties do not cover such taxes, or because there are no common rules at EU level on how to avoid double taxation of inheritances. This generates legal uncertainty for taxpayers and administrative frictions for national authorities.

These divergences are not just technical. They have direct consequences for the single market. First, they create opportunities for arbitrage and 'jurisdiction shopping', particularly by high-net-worth individuals who could relocate assets or change their tax residence to minimise their effective tax exposure. Second, they erode horizontal equity, meaning that two equally wealthy taxpayers may face different burdens simply because of where they live or how their assets are structured. Third, they impose administrative costs, because non-aligned definitions and valuation rules make it difficult for tax administrations to cooperate, verify cross-border holdings or exchange information in a reliable and enforceable way.

To illustrate the fiscal stakes involved, the study simulates the potential revenues from better coordinated approaches targeted at the very top of the wealth distribution (i.e. high-net-worth individuals). Applying current national real estate tax rates to the real estate holdings of individuals with more than €1 billion in real estate wealth could yield an estimated €12.9 billion per year across EU Member States under a full compliance scenario (in which all relevant assets are accurately declared and taxed, without evasion, avoidance or capital flight). If Member States whose effective property tax rates are below the EU average were to increase them up to that average, the total rises to roughly €15.2 billion per year (+18 %). In an illustrative and rather maximalist hypothetical scenario, extending the same exercise to individuals with more than €1 million in real estate wealth could produce an estimated €127.8 billion under current national rates and €151.3 billion under a 'convergence to the mean' scenario (in which all countries below the EU average align their rate to the EU average, while higher-rate countries remain unchanged). For some Member States with relatively underdeveloped real estate tax systems, the projected increase could be significantly larger than their existing property tax revenues.

The study also models a stylised 1 % tax on net wealth above €1 billion. Under standardised assumptions about enforcement and compliance (where all Member States apply the same 1 % rate above €1 billion – with Spain keeping its higher rate – and assuming a uniform 80 % effective compliance rate), such a tax could yield in the order of €20 billion annually today across the Member States covered, and rise toward €30–35 billion by 2035 under steady wealth growth. However, once we take into account the variability in compliance rates and account for country-specific differences in avoidance, capital flight, reclassification of assets and administrative capacity (proxied using relative value added tax (VAT) enforcement gaps) the effective yield becomes more uneven. In high-capacity administrations, most of the revenue comes from taxation on the base. In lower-capacity administrations, a substantial share of the potential base is lost.

The conclusion is not that the EU should adopt a single wealth tax. However, the lack of coordination in valuation, definitions and reporting standards enables high-net-worth individuals to take advantage of discrepancies between national systems. This situation undermines the perceived fairness of taxation and creates enforcement imbalances that extend beyond borders. This is a

classic example of a 'cost of non-Europe'. Targeted coordination – for example, on common minimum valuation standards for certain high-value assets, reporting of cross-border wealth holdings, and clearer rules to avoid double taxation or non-taxation in inheritance and gift taxation – could reduce arbitrage and legal uncertainty without imposing common rates or redistributive choices.

Cryptoassets taxation

Cryptoassets have moved rapidly from a niche activity to a significant component of financial wealth and speculative investment. They are inherently cross-border, frequently pseudonymous in practice, and – where they operate without adapted supervisory frameworks – can be difficult to trace and regulate. They are also often intermediated by platforms that may not be established in the taxpayer's country of residence. National tax systems, however, were largely designed around assets with clear legal form, identifiable ownership and a physical or jurisdictional anchor. As a result, Member States have responded to cryptoassets in a variety of ways.

One axis of divergence concerns what counts as a taxable event. Some jurisdictions treat every crypto-to-crypto exchange (e.g. swapping Bitcoin for Ether) as a realisation event that could constitute a taxable gain. Others tax only disposals into fiat currency. A second axis concerns classification. Some Member States treat crypto gains as capital gains and apply flat capital gains tax rates, sometimes with preferential treatment for long holding periods. Others treat crypto gains as personal or even business income subject to progressive income tax rates. Similar differences arise for specific activities such as staking, mining, decentralised finance transactions or non-fungible tokens.

A third axis concerns reporting and transparency. In some jurisdictions, taxpayers are obliged to declare holdings and gains from crypto, including assets held in wallets abroad, and service providers have specific reporting obligations. Other jurisdictions primarily depend on self-reporting or have not yet incorporated crypto-specific disclosure rules into their tax systems.

These divergences result in inconsistent treatment of similar activities and encourage arbitrage. If a Member State does not tax certain crypto gains, or has weak enforcement and limited reporting obligations, investors and service providers may choose to base activities there, even while effectively operating across borders. The result is not only a loss of revenue, but also a distortion of neutrality: if gains from cryptocurrency can, in practice, be realised without taxes or reported inaccurately, while equivalent gains on traditional financial assets are taxed and reported, investors have a tax-driven incentive to shift their investments towards crypto. This compromises both fairness and the credibility of national tax systems.

Based on our estimates, under current national regimes, and assuming full compliance (where all taxable gains from cryptoassets are declared), taxing realised crypto gains in 2024 would have generated an estimated €4.7 billion across the EU-27. Under conservative assumptions about future market growth and prices, that figure could rise to over €10 billion by 2035. Under more optimistic scenarios consistent with high crypto price trajectories, it could be several times higher. These estimates are volatile by nature, but they show that crypto is now fiscally relevant. Crucially, when we move away from the full compliance assumption and instead proxy effective enforcement capacity using estimated VAT enforcement gaps, the expected revenue distribution shifts. Stronger

administrations capture proportionally more; weaker administrations capture less. In other words, fragmentation reproduces enforcement inequality.

The EU has taken an important first step towards addressing fragmentation with the Directive on Administrative Cooperation (DAC) 8, which will introduce automatic exchange of information on crypto holdings and transactions by requiring cryptoasset service providers to collect, verify and transmit standardised data on EU taxpayers. This represents a structural change in transparency, similar to the shift that took place for bank accounts under automatic exchange of information. However, an EU-only reporting obligation could create compliance costs for EU-based service providers that may not (yet) apply to competitors in third countries, with the attendant risk that parts of the sector could migrate outside the EU or slow down domestic innovation. International work on common reporting standards for crypto (for example, under the Organisation for Economic Co-operation and Development (OECD) Crypto-Asset Reporting Framework) is meant to reduce this asymmetry by pushing towards global exchange of information, but it is not yet universal and full multilateral uptake cannot be assumed in the short term.

Moreover, DAC8 does not, by itself, address the issue that Member States define taxable events differently, classify crypto income differently, and in some cases do not clearly define the tax base at all. Our analysis indicates that there is scope for coordination beyond transparency. This includes developing guidelines on what qualifies as a taxable disposal, minimum standards for valuing crypto transactions (including crypto-to-crypto swaps and stablecoin conversions), and interoperable reporting formats. This type of coordination could be attractive to Member States by reducing opportunities for arbitrage, reinforcing neutrality between asset classes and strengthening enforcement.

Digitalisation of tax administration

Digitalisation has become a core driver of tax administration performance. Across the EU, tax administrations are increasingly using electronic filing, online payment systems, pre-filled returns, real-time transaction reporting, e-invoicing, digital identity, data analytics and, more recently, machine learning tools for risk assessment and case handling. When well implemented, these tools can reduce compliance costs for taxpayers, strengthen voluntary compliance, narrow opportunities for fraud and evasion and allow administrations to deploy resources more efficiently.

However, the rollout of digitalisation varies significantly across Member States. In many countries, e-filing for corporate income tax and VAT has become nearly universal, and personal income tax returns are routinely pre-filled using third-party data such as payroll, bank interest and mortgage information. In some Member States, VAT systems are fed by real-time or near-real-time reporting of invoices and transactions, and e-invoicing is mandatory for business-to-business and in some cases even business-to-consumer transactions. In others, reporting is still conducted periodically and largely manually, with pre-filled VAT or corporate income tax returns still rare. Some administrations already use digital ID systems to give taxpayers a single secure access point to multiple tax services. These systems also employ advanced analytics to quickly identify high-risk cases. Others are still consolidating legacy IT systems or moving basic processes online.

This heterogeneity matters for three reasons. First, it produces unequal compliance burdens. A business operating in several Member States must adapt to different portals, formats, identifiers, timelines and documentation requirements. This duplication represents a cost that falls especially

hard on small and medium-sized enterprises. Second, it creates unequal enforcement capacity and, third, it risks entrenching a two-speed system. As some administrations deploy increasingly sophisticated tools (including AI-driven audit selection and predictive analytics), others may fall further behind unless there is targeted support and a push towards common minimum standards.

The study argues that EU-level action in this field does not require harmonising tax bases or encroaching on national choices about rates and allowances. The Union could instead set and support a baseline for digital administrative capacity and interoperability, while also providing capacity-building and shared infrastructure for administrations with less-developed systems. Such measures would reduce compliance costs for firms operating cross-border, improve voluntary compliance, and narrow enforcement gaps that currently undermine fairness and mutual trust inside the single market.

Tax compliance burdens

Even where the underlying tax rules are similar, the cost of complying with them can differ sharply across Member States. Compliance burdens refer here to the time, money and administrative effort required to meet tax obligations. These burdens can be costly, because they absorb managerial time, deter smaller firms from expanding or internationalising, and can discourage cross-border work or investment. They also shape perceptions of fairness: a tax system that is hard to navigate feels more arbitrary, regardless of statutory rates.

The study documents large differences in compliance time and complexity across Member States. In some jurisdictions, a typical medium-sized firm spends fewer than 60 hours per year preparing, filing and paying taxes. In others, this figure exceeds 400 hours, based on the World Bank's Paying Taxes indicators from the Doing Business dataset. The number of distinct payment events required each year also varies significantly. Some administrations consolidate obligations and operate 'single window' models for filing and payment. Others require multiple submissions to different parts of government, on different schedules, with partially overlapping information. Frequent rule changes, unclear guidance and repeated requests for information that the administration already possesses all add to the burden. Unsurprisingly, firms operating across borders face an additional obstacle, since they must maintain parallel compliance processes tailored to each jurisdiction's forms, identifiers, data formats and reporting calendars.

Digitalisation can reduce these burdens – but only if it is coupled with simplification. Where administrations use pre-filled personal income tax returns, once-only data collection, standardised electronic invoicing and aligned filing calendars, compliance time and error rates significantly decrease. In situations where administrations simply add digital portals to an unchanged, fragmented process, the burden often shifts rather than being alleviated. A further weakness is that many reforms are launched without an integrated evaluation loop. In fact, fewer than half of the tax administrations surveyed for this study systematically measure, *ex post*, whether a given simplification or digital reform has actually reduced compliance costs. Without published baselines, targets and follow-up, it is hard to distinguish between reforms that genuinely reduce the burden on taxpayers and reforms that merely shift the effort from the administration to the taxpayer (and vice versa).

There is clear scope for coordination here without affecting tax rates. The EU could encourage mutual recognition or interoperability of basic taxpayer identifiers and standard reporting schemas,

promote the 'once-only' principle for tax-relevant data across borders, and develop and publish comparable indicators of compliance burdens (e.g. hours to comply, number of filings per year, and availability and accuracy of pre-filled returns).

Overall assessment and potential policy implications

The cost of non-Europe in the field of taxation is significant in the areas examined in this study. Fragmentation in wealth and cryptoassets taxation results in lost revenues and unequal treatment. Uneven digital capacity and divergent procedures impose avoidable compliance costs and weaken enforcement. At the same time, the analysis identifies concrete avenues for European added value.

The study's policy options chart a pragmatic path forward. Minimum standards and optional EU-wide regimes could curb harmful competition and reduce or mitigate the cost of non-Europe without harmonising rates. This approach would still comply with the Treaties and the EU's international commitments, including those arising from OECD processes. Harmonised reporting and valuation rules, together with shared enforcement tools (including data exchange, joint audits and central repositories), could raise compliance where it is currently weakest. A digital-first approach, which includes common e-invoicing standards, baseline online services and shared infrastructure, would reduce costs for taxpayers and administrations alike. Finally, systematic monitoring of compliance costs would place simplification on an equal footing with digital modernisation and help ensure that reforms deliver measurable improvements.

These proposals take into account the principle of subsidiarity by identifying circumstances where coordination at EU level could yield benefits, and they adhere to the principle of proportionality by ensuring that the proposed solutions do not go beyond what is necessary to remove obstacles to the functioning of the internal market. Rather, they aim to create common standards and interoperable frameworks where fragmentation imposes clear single-market costs. Incremental but coordinated EU-level action could deliver substantial fiscal and economic benefits. These include securing additional revenues, lowering compliance costs, containing avoidance and evasion, and strengthening the integrity and fairness of the single market. Such measures would help to ensure that Europe's tax systems remain fit for a digital, mobile and global economy.

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List of abbreviations and acronyms

| | |
|-------------|--|
| AI | Artificial Intelligence |
| AMLA | Anti-Money Laundering Authority |
| API | Application Programming Interface |
| B2B | Business-to-Business |
| B2C | Business-to-Consumer |
| B2G | Business-to-Government |
| CARF | Crypto-Asset Reporting Framework |
| CASPs | Crypto-Asset Service Providers |
| CIT | Corporate Income Tax |
| CRS | Common Reporting Standards |
| DAC | Directive on Administrative Cooperation |
| DeFi | Decentralised Finance |
| DEXs | Decentralised Exchanges |
| EC | European Commission |
| e-filing | Electronic filing |
| EGDI | E-Government Development Index |
| e-invoicing | Electronic invoicing |
| ETCB | Estonian Tax and Customs Board |
| EU | European Union |
| EUR | Euro |
| FATCA | Foreign Account Tax Compliance Act |
| GDP | Gross domestic product |
| ICO | Initial Coin Offering |
| ICT | Information and Communication Technologies |
| IFI | France's Real Estate Wealth Tax (Impôt sur la Fortune Immobilière) |
| IMF | International Monetary Fund |
| ISF | France's Solidarity Tax on Wealth (Impôt de Solidarité sur la Fortune) |
| ISORA | International Survey on Revenue Administration |

| | |
|-------|--|
| IT | Information Technology |
| MiCA | Markets in Cryptoassets Regulation |
| NFT | Non-Fungible Token |
| OECD | Organisation for Economic Co-operation and Development |
| PIT | Personal Income Tax |
| SAF-T | Standard Audit File for Tax |
| SMEs | Small and medium-sized enterprises |
| TFEU | Treaty on the Functioning of the European Union |
| TII | Telecommunication Connectivity |
| US | United States |
| USD | US dollar |
| VAT | Value Added Tax |
| ViDA | VAT in the Digital Age |
| WID | World Inequality Database |

1. Introduction

Unlike in federal systems such as the United States (US), tax policy in the European Union (EU) is primarily a national competence. Member States design, collect and administer their own taxes, often allocating powers internally between central, regional and local levels. At the same time, the Treaties provide the EU with a legal basis to act in certain areas, most notably in the harmonisation of indirect taxes (Articles 110–113 of the [Treaty on the Functioning of the European Union](#) (TFEU)) and in the adoption of measures to prevent distortions of competition or address cross-border challenges in the internal market (Article 115 TFEU).

Well-established public finance theories, such as fiscal federalism (Oates, 1972; Inman and Rubinfeld, 1997) do not map neatly onto the distinctive fiscal constitution of the EU. In federal or unitary states, the central level typically has a dominant role in revenue-raising and redistribution. By contrast, the EU does not operate as a fiscal federation with a large central budget or broad taxing powers. As a result, the EU level has only limited traction in exercising the three 'Musgravian' functions of public finance – macroeconomic stabilisation, allocation and redistribution (Musgrave, 1959). Instead, as Majone (1996) has argued, the EU's core mode of intervention is regulatory rather than fiscal, leading him to describe the Union as a 'regulatory state'.

Despite this limited fiscal centralisation, the EU has been able to align certain areas of taxation – particularly in establishing a common system of value-added tax (VAT) and harmonised rules for excise duties. However, direct taxation remains primarily under national control, with coordination at the EU level proceeding only gradually and on a more limited scale. This division of competences has contributed to a fragmented tax landscape, with significant disparities in the design, implementation and administration of tax rules across Member States.

In this context, the concept of the 'cost of non-Europe' serves as an analytical framework for assessing the consequences of not having coordinated EU action in areas where joint policy, underpinned by common rules, could bring added value. The concept was originally developed to highlight the economic benefits of completing the single market by removing barriers to the free movement of goods, services, labour and capital – the 'four freedoms'. A wide-ranging research programme, summarised in the Cecchini Report (Cecchini et al., 1988), used the framework to predict the economic benefits to the EU.

Over time, the concept has evolved to capture a wider range of economic, administrative and social costs arising from uncoordinated policymaking across Member States. These costs may include lost revenues, duplicated administrative burdens, competitive distortions, legal uncertainty and missed opportunities for economies of scale or joint enforcement. They also include the difficulty of addressing cross-border tax challenges – such as profit shifting, arbitrage in cryptoassets or relocation of highly mobile taxpayers – through purely national instruments.

The cost of non-Europe perspective was first introduced in a 1983 European Parliament report by Albert and Ball, *Towards European Economic Recovery in the 1980s*,¹ and was subsequently taken

¹ Towards European Economic Recovery in the 1980s. Report presented to the European Parliament by Mr M. Albert and Professor R.J. Ball, 31 August 1983.

up by the European Commission's 1985 White Paper on completing the internal market (European Commission, 1985). Both highlighted the economic and administrative inefficiencies arising from uncoordinated national policies. Alongside physical and technical barriers, fiscal fragmentation was identified as a key obstacle to integration.

This early agenda led to a strong initial focus on indirect taxation. Harmonisation of indirect taxes, in particular VAT and excise duties, was viewed as essential not only to ensure the neutrality of cross-border trade – by preventing double taxation and tax-driven rerouting of transactions – but also to underpin the financing of the European Community. When the system of 'own resources' was introduced in 1970, a uniform VAT-based contribution was established as one of the main revenue streams for the Community budget. Ensuring comparable VAT bases across Member States was therefore essential both for fair budget contributions and for the smooth functioning of the internal market. Yet, as continuing differences in VAT and excise levels illustrate – as seen in practices like frontier-shopping – the challenge of tax fragmentation persists.

In contrast, the Treaties do not provide a general harmonisation power for direct taxation; EU action proceeds via Article 115 TFEU and unanimity, so legal limits and political resistance together have limited progress. While early proposals sought to approximate corporate tax bases and rates, progress has been slow, reflecting Member States' reluctance to give up their fiscal sovereignty. The long-standing debate on the Common consolidated corporate tax base, now evolving into the Business in Europe: Framework for income taxation proposal, highlights the difficulties of achieving consensus.

That said, recent years have seen meaningful progress even in the politically sensitive area of direct taxation. Many of these directives stem from the Base Erosion and Profit Shifting project, coordinated by the Organisation for Economic Co-operation and Development (OECD) and the G7. The agreements reached at that level gave new legislative impetus within the EU, leading to measures such as the [Global Anti-Base Erosion Rules Directive](#) (Council Directive (EU) 2022/2523) and several [Directives on Administrative Cooperation](#) (DAC). Instruments such as the [Anti-Tax Avoidance Directive](#) and the various iterations of DAC introduced binding minimum standards and enhanced transparency, notably improving the exchange of information and tackling base erosion and profit shifting. However, these advances have largely focused on closing loopholes and addressing the negative externalities of fragmented national systems, rather than moving toward a genuinely unified or integrated tax framework. Unanimity requirements in EU tax legislation continue to constrain the scope and ambition of reform, often resulting in lowest-common-denominator outcomes. As a result, divergent national approaches still shape corporate location decisions, labour mobility and capital allocation.

These divergences not only affect businesses. Individual taxpayers – particularly high-income earners and mobile workers – are increasingly sensitive to marginal tax rate differentials, which could influence their choice of residence or digital work arrangements. Tax incentives and social charges also play a role in 'social dumping' and regulatory arbitrage. On the other end, median workers and small and medium-sized enterprises (SMEs) often face complex compliance burdens, particularly when operating in multiple jurisdictions. These dynamics pose growing challenges to both tax equity and administrative efficiency within the EU. Of particular concern are the rising costs of tax compliance, especially for SMEs and mobile taxpayers. These costs result not only from divergent

tax rules but also from inconsistent administrative procedures, digitalisation gaps and duplicated requirements across jurisdictions.

In this context, the fragmentation of national tax regimes undermines the EU's capacity to uphold fair competition, ensure fiscal sustainability and deliver on its strategic objectives. It weakens the collective ability to address cross-border tax evasion, enforce equitable taxation of digital and intangible assets and respond to global developments such as the OECD/G20 minimum corporate tax agreement. Moreover, the rising demand for a more competitive, socially cohesive and strategically autonomous Europe – as underscored in the Letta and Draghi reports² – places renewed emphasis on the need for coherence in tax policy.

From the perspective of European integration, a more coordinated tax framework is thus essential to support the smooth functioning of the internal market. Fragmentation in tax rules could act as a de facto barrier to investment,³ labour mobility,⁴ and cross-border services,⁵ eroding the core economic freedoms of the Union.⁶ It also contributes to legal uncertainty, as recent State aid investigations and rulings by the Court of Justice of the European Union (e.g. in the Apple and Amazon cases) have shown,⁷ potentially deterring both investors and Member States from pursuing optimal tax strategies. While full harmonisation may remain politically elusive, targeted convergence, technical alignment and mutual recognition could significantly reduce inefficiencies and support a more resilient and integrated single market. The challenge lies in balancing this need for greater coordination with Member States' strong attachment to their fiscal sovereignty, which remains a politically sensitive domain.

To illustrate the various channels through which tax fragmentation affects different economic actors and policy goals, a preliminary typology is presented in Table 1. The aim, with this draft typology, is to put forward a structured means of distinguishing the effects of 'non-Europe' across various tax categories. It proposes three broad domains: businesses, individuals and consumers, as well as public administrations.

² E. Letta, [Much more than a market – Speed, Security, Solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens](#), European Council, 2024; M. Draghi, [The future of European competitiveness](#), European Commission, 2024.

³ E. Zangari, A. Caiumi, and T. Hemmelgarn, [Tax Uncertainty: Economic Evidence and Policy Responses](#), Taxation Papers, DG TAXUD, European Commission, 2017.

⁴ G. Beretta, [Work on the Move: Rethinking Taxation of Labour Income under Tax Treaties](#), *International Tax Studies*, 2022; E. Eberhartinger, F. Figari, H. Fleischanderl, M. Petutschnig, P. Pistone, and M. Zagler, [Tax Barriers and Cross-Border Workers: Tackling the Fragmentation of the EU Tax Framework](#), Study Requested by the FISC Subcommittee, European Parliament, 2025.

⁵ A. Miller, [Taxing Cross-Border Services: Current Worldwide Practices and the Need for Change](#), IBFD Doctoral Series, International Bureau of Fiscal Documentation, 2016; C. Brown, [Taxation and the Cross-Border Trade in Services: Rethinking Non-Discrimination Obligations](#), *Florida Tax Review*, 2018.

⁶ J. Jaakkola, [Taming the Leviathan or dismantling democratic government? Evolving political ideas on spontaneous income tax integration in the European Union](#), *European Law Open*, 2023; Bauer et al., [Reinventing Europe's Single Market: A Way Forward to Align Ideals and Action](#), European Centre for International Political Economy, 2024.

⁷ P. Van Cleynenbreugel, [Recovering unlawful advantages in the context of EU State aid tax ruling investigations](#), *Market and Competition Law Review*, 2017; R. Mason, [Tax Competition and State Aid](#), *Oxford Yearbook of European Law*, 2023.

Table 1 – Typology on how 'non-Europe' affects selected tax features

| Category | Features | VAT (harmonised, but divergent) | Inheritance tax (not harmonised) |
|-------------------------------------|--|--|---|
| Effects on businesses | Incentives to cross borders | Moderate: VAT rate differences can encourage cross-border purchasing near borders | Moderate: May influence financing and holding structures to reduce inheritance exposure |
| | Losses to competitors in lower tax areas | Moderate: Notable in retail, though often overstated in scale | Limited: Situational impact; not systemic |
| | Costs of compliance | High: Varying rules for exemptions, invoicing, reporting, and intra-EU supplies increase complexity | High: Differences in exemptions, valuation and thresholds add legal and advisory costs |
| Effects on individuals and workers? | High-net-worth individuals | Negligible: Largely unaffected due to consumption-based nature of VAT | High: Strong incentives for tax planning or relocation to low/no inheritance tax jurisdictions |
| | Median workers | Limited: VAT is regressive but predictable | Moderate: Potential effects on intergenerational wealth transfers and long-term savings preferences |
| | Mobile workers | Limited: May face different VAT on services consumed abroad; refund complexity | High: Burden when working or inheriting across borders |
| Effects on consumers | Extent of choice | Moderate: Price differences due to VAT variation and complexity in cross-border digital sales | Negligible: Very limited relevance at point of consumption |
| | Access to other MS retailers | Limited: Border-region shopping encouraged by VAT disparities | Negligible: No significant effect on general consumer access |
| | E-commerce | Moderate: Non-harmonised thresholds and registration rules increase vendor burden | Limited: Some legal complexity for digital services linked to estates and cryptoassets |
| Administrative impacts | Tax avoidance | High: Exploitation of exemptions and reduced rates causes persistent revenue losses; carousel fraud | High: Wealthy households may shift assets or restructure estates |
| | Tax evasion | Moderate: Cross-border tax evasion (including fraud schemes) remains a concern, but the scope is narrower and increasingly addressed | High: Difficulty in cross-border enforcement, opaque valuation methods |

| Category | Features | VAT (harmonised, but divergent) | Inheritance tax (not harmonised) |
|----------|-------------------|---|--|
| | Collection costs | High: Fragmented rules and reporting standards hinder economies of scale | High: Duplication and inconsistencies raise administrative burdens |
| | Revenue certainty | Moderate: System is established but vulnerable to fraud and rate shopping | Negligible: Revenues are volatile and difficult to predict |

Notes: This typology proposes a four-level scale to describe the relative magnitude of each impact attributed to the absence of EU-level tax coordination (non-Europe effects). The levels are defined as follows: *negligible*: the effect is minimal or largely irrelevant for the feature in question; *limited*: the effect is present but constrained in scope, intensity or geographic relevance; *moderate*: the effect is clearly observable and of policy relevance, but not pervasive or systemic; *high*: the effect is substantial, widespread and may entail serious policy, administrative or behavioural consequences. These qualitative levels are indicative and comparative, not quantitative. They aim to support cross-tax and cross-feature analysis of how fragmentation in EU tax policy affects different actors and outcomes.

Source: Authors' elaboration.

1.1. Objectives and scope

The main objective of this study is to assess the economic, administrative and social consequences of divergences in national tax policies within the EU. In doing so, it applies the 'cost of non-Europe' methodology to estimate the potential costs arising from the absence of coordination and to evaluate the benefits that could be achieved through enhanced EU-level action. The study aims to provide robust analytical input to inform future policy discussions on tax harmonisation and integration in the Union.

More specifically, the study has three core objectives:

- **Identification of divergences.** It maps and categorises key differences in national tax approaches across selected areas, assessing the extent to which they create distortions in the internal market or hinder the EU's broader economic and social objectives.
- **Quantification of costs.** It provides quantitative estimates of lost tax revenues resulting from the lack of coordination, and qualitatively assesses other economic, administrative and opportunity costs – including inefficiencies, compliance burdens and legal uncertainty.
- **Assessment of EU-level added value.** It explores the potential benefits of EU action – ranging from legislative approximation to soft law instruments – in terms of efficiency gains, reduced complexity, improved tax fairness and support for cross-border activity.

The study focuses on four policy domains where divergences are particularly pronounced or have become increasingly relevant due to structural shifts in the economy and the tax base. While some of these areas relate to the design of tax rules (such as wealth or crypto taxation), others concern the administration and implementation of tax obligations, such as the digitalisation of tax systems or the burden of compliance itself. These dimensions reflect both legal and operational

fragmentation, which together generate economic inefficiencies and may hinder the smooth functioning of the internal market, as understood under the EU's current Treaty framework.

1. **Wealth taxation.** There are significant differences across Member States in the design and implementation of taxes on personal and corporate wealth, ranging from comprehensive net wealth taxes to narrower levies on real estate, inheritances or financial holdings. These divergences could create arbitrage opportunities, affect capital allocation and undermine the equity of national tax systems. The study explores the implications of this fragmentation, especially in relation to the growing concentration of wealth and the increasing mobility of assets across borders.
2. **Taxation of cryptoassets.** The rapid emergence of digital and decentralised financial instruments has outpaced the development of coordinated tax frameworks. Member States have adopted divergent approaches to the classification, valuation and taxation of cryptoassets, which could not only lead to legal uncertainty and compliance complexity but also affects market integrity and enforcement. The study analyses how greater alignment could support legal clarity, revenue collection and the development of an EU-wide digital financial market.
3. **Digitalisation of tax administration.** Member States differ markedly in the extent of digitalisation of their tax systems. While some only have basic e-filing, others have advanced real-time reporting and AI-supported risk assessment. These disparities generate administrative inefficiencies, limit cross-border cooperation and raise barriers for businesses operating in multiple jurisdictions. The study maps these differences and illustrates their implications through selected examples, while conceptually exploring how greater interoperability or targeted harmonisation could support administrative efficiency and cross-border integration.
4. **Tax compliance burdens.** Companies and individual taxpayers operating across borders face highly fragmented and inconsistent compliance obligations, including different reporting formats, deadlines, registration requirements and audit procedures. These burdens could deter cross-border economic activity, particularly for SMEs and could undermine tax compliance. The study identifies key sources of fragmentation and discusses their potential economic impact, highlighting how more streamlined or mutually recognised processes could lower compliance costs and enhance tax collection.

Together, these four pillars provide a targeted yet comprehensive view of the effects on the EU economy and the single market of uncoordinated national tax policies. The study aims to contribute to a more informed and evidence-based debate about the strategic role of taxation in achieving a fairer, more efficient, and more integrated single market.

Within the limits of the current Treaty framework, the aim is not to propose uniformity but to quantify the economic and social costs of non-coordination and to assess where EU-level initiatives – in the form of guidance, soft law, mutual recognition or legislative approximation – could bring tangible added value. In doing so, it contributes to a broader reflection on how tax policy can support the EU's long-term goals of fairness, efficiency, competitiveness and strategic autonomy.

2. Wealth taxation

Key findings

- Wealth taxation in the EU is fragmented, with wide variation in the types of taxes applied (net wealth, inheritance and gift, real estate taxes), their scope, design and fiscal importance.
- Comprehensive net wealth taxes are rare: Spain is the only Member State to levy one on individuals, while Luxembourg applies a version on corporations. Several countries have abolished or reduced the scope of theirs due to low revenue, administrative complexity and concerns over capital mobility.
- Narrower or partial wealth taxes still exist, such as Belgium's securities account tax, France's real estate wealth tax and Italy's tax on immovable assets abroad. These taxes reflect selective approaches rather than broad-based net wealth taxation.
- Inheritance and gift taxes are widespread but heterogeneous in structure. Some Member States apply progressive regimes with generous allowances for close relatives, while others have repealed them. Lack of EU coordination creates risks of double or non-taxation in cross-border cases.
- Real estate taxation is the most common and fiscally significant form of wealth-related taxation across the EU. However, reliance on outdated cadastral values in many countries undermines equity and efficiency, while others have recently introduced modernised valuation systems.
- The overall fiscal contribution of wealth taxes remains modest, often below 0.2 % of GDP for net wealth taxes, though recurrent property taxes account for a larger share of revenues.
- Divergent national approaches create distortions for the single market, including capital flight, tax arbitrage, administrative inefficiencies and legal uncertainty in cross-border situations.
- Despite these challenges, there is renewed political debate on wealth taxation in several Member States, driven by concerns about inequality, fiscal sustainability and the increasing need for financing and investment.

Wealth taxation refers to the imposition of levies on the stock or transfer of wealth owned by individuals or entities.⁸ This can encompass a wide array of assets, including but not limited to: i) financial assets (e.g. shares, bonds, cash savings); ii) business ownership interests, including equity in privately held companies; iii) real estate holdings, both residential and commercial; iv) luxury goods and high-value items (e.g. art, jewellery, yachts); v) pension entitlements or life insurance policies, where included in national definitions of (actual or potential) taxable wealth.

The fundamental distinction in wealth taxation lies between recurrent taxes on net wealth (i.e. regular levies on the total value of assets minus liabilities), and non-recurrent taxes on wealth transfers, such as inheritance, estate, and gift taxes. These differences are not merely technical, but deeply tied to national legal traditions, political attitudes towards wealth redistribution, and concerns about administrative feasibility, equity, and tax avoidance.

⁸ Entities in this context typically include corporate structures, holding companies, foundations and trusts, which may hold or manage assets on behalf of individuals or groups. These vehicles are often used for estate planning, asset protection or tax optimisation and may be subject to specific wealth, inheritance or transfer tax rules depending on the jurisdiction.

Wealth taxes could serve multiple purposes: revenue generation,⁹ redistribution of economic resources,¹⁰ correction of market failures related to inequality,¹¹ and in some cases, behavioural nudges to encourage productive asset use.¹² However, they also present significant design and enforcement challenges, especially in the context of mobile capital,¹³ sophisticated tax planning¹⁴ and divergent tax bases across EU Member States.¹⁵

This chapter examines the current state of wealth taxation in the EU, highlighting both its diversity and its underlying commonalities. It first outlines the existing landscape of net wealth, inheritance, gift and real estate taxation, before turning to the key design features – such as tax bases, rates, exemptions and valuation methods – that shape their effectiveness and fairness. The analysis also considers how divergent national approaches create distortions for the single market, particularly in cross-border contexts. It also reviews the survey evidence gathered from Member States on recent reforms and practices. Together, these elements provide a comprehensive picture of the challenges and opportunities facing wealth taxation in the EU today.

2.1. Scope and current landscape

Wealth taxation in the EU presents a fragmented and diverse picture, shaped by each Member State's fiscal policy choices, societal preferences and political economy. There is no harmonised framework at EU level, and as a result, the types of taxes levied on wealth, their scope and intensity vary substantially across countries. Broadly, the landscape of wealth taxation can be classified into three main areas: net wealth taxes, inheritance and gift taxes, and taxes on real estate (see Table 2).

Table 2 – Overview of current wealth taxation across EU Member States (2025)

| Country | Net-wealth tax | Wealth tax on certain assets | Inheritance tax | Gift tax | Real estate tax (Recurrent) | Real estate tax (transfer) |
|---------|----------------|------------------------------|-----------------|----------|--|--|
| Austria | No | No | No | No | Real estate tax (Grundsteuer) | Real estate transfer tax (Grunderwerbsteuer) |
| Belgium | No | Tax on securities accounts | Inheritance tax | Gift tax | Real estate tax (Précompte immobilier) | Registration fee (Droit d'enregistrement) |

⁹ See, OECD, 2018.

¹⁰ T. Piketty, *Capital in the Twenty-First Century*, Harvard University Press, 2014.

¹¹ A. Atkinson, *Inequality: What can be done?*, Harvard University Press, 2015; IMF, *Fiscal Monitor: A Fair Shot*, International Monetary Fund, 2021.

¹² K. Thomas, 'Taxing Nudges', *Virginia Law Review*, 2021.

¹³ G. Zucman, *The Hidden Wealth of Nations: The source of Tax Havens*, University of Chicago Press, 2015.

¹⁴ Alstadsaeter et al., 2022.

¹⁵ European Commission, *Annual Report on Taxation 2024 – Review of taxation policies in EU Member States*, Publications Office of the European Union, DG TAXUD, European Commission, 2024.

| Country | Net-wealth tax | Wealth tax on certain assets | Inheritance tax | Gift tax | Real estate tax (Recurrent) | Real estate tax (transfer) |
|----------|----------------|------------------------------|-----------------|-------------------|---|---|
| | | | | Registration duty | | |
| Bulgaria | No | No | Inheritance tax | Gift tax | Real estate tax (Данък върху недвижимите имоти) | Real estate transfer tax |
| Croatia | No | No | Inheritance tax | Gift tax | Tax on holiday homes | Real estate transfer tax |
| Cyprus | No | No | No | No | No | Real estate transfer tax |
| Czechia | No | No | No | No | Real estate tax (Daň z nemovitých věcí) | No |
| Denmark | No | No | Inheritance tax | Gift tax | Real estate value tax (Ejendomsværdiskat), Municipal real estate tax (Ejendomsskat), Municipal reimbursement duty | Stamp duty |
| Estonia | No | No | No | No | Land tax (Maamaks) | No |
| Finland | No | No | Inheritance tax | Gift tax | Real estate tax (Kiinteistövero) | Real estate transfer tax (Varainsiirtovero) |
| France | No | Real Estate Wealth Tax (IFI) | Inheritance tax | Gift tax | Property tax on built-up properties (TFPB) | Real estate transfer tax (DMTO) |
| Germany | No | No | Inheritance tax | Gift tax | Real estate tax (Grundsteuer) | Real estate transfer tax (Grunderwerbsteuer) |
| Greece | No | No | Inheritance tax | Gift tax | Unified Property Tax (ENFIA), Municipality Duty (Telos Akinitis Periousias) | Real estate transfer tax (Φόρος Μεταβίβασης Ακινήτου) |

| Country | Net-wealth tax | Wealth tax on certain assets | Inheritance tax | Gift tax | Real estate tax (Recurrent) | Real estate tax (transfer) |
|------------|----------------|--|--------------------------------|-------------------------------|---|--|
| Hungary | No | No | Inheritance tax | Gift tax | Building tax (Építményadó), Land tax, Communal tax | Real Estate Transfer Tax (Visszterhes vagyonátruházási illeték) |
| Ireland | No | No | Capital Acquisitions Tax (CAT) | CAT | Local property tax (LPT) | Stamp duty |
| Italy | No | Tax on immovable assets owned by Italians abroad (IVIE) Tax on financial investments owned by Italians abroad (IVAFE) Stamp duty on financial investments Stamp duty on bank accounts | Inheritance tax | Gift tax | Municipal tax, Tax on immovable assets abroad | Registration tax (Imposta di registro), Cadastral tax (imposta ipotecaria), Mortgage tax (Imposta catastale) |
| Latvia | No | No | No | No | Immovable property tax (Nekustamā īpašuma nodoklis) | Stamp duty |
| Lithuania | No | No | Inheritance tax | No | Real estate tax, Land tax | No |
| Luxembourg | Yes (**) | No | Inheritance tax | Gift tax Registration duty | Real property tax (Impôt foncier) | Real estate transfer tax (Droits d'enregistrement), |

| Country | Net-wealth tax | Wealth tax on certain assets | Inheritance tax | Gift tax | Real estate tax (Recurrent) | Real estate tax (transfer) |
|-------------|----------------|------------------------------|-----------------|------------|---|--|
| | | | | | | Property transfer duty |
| Malta | No | No | No | No | No | Property transfer tax, Stamp duty |
| Netherlands | No | Tax on investment returns | Inheritance tax | Gift tax | Real estate tax (Onroerendezaakbelasting – OZB) | Real estate transfer tax (Overdrachtsbelasting) |
| Poland | No | No | Inheritance tax | Gift tax | Property tax (Podatek od nieruchomości), Agricultural tax (Podatek rolny), Forestry tax (Podatek leśny) | Tax on civil law transactions (TCLT) |
| Portugal | No | No | Stamp duty | Stamp duty | Municipal property tax (IMI) | Real estate transfer tax (Imposto Municipal sobre as Transmissões Onerosas de Imóveis) |
| Romania | No | No | No | No | Tax on buildings (Impozit pe cladiri), Land tax | Real estate transfer tax |
| Slovakia | No | No | No | No | Real estate tax (Daň z nehnuteľností) | No |
| Slovenia | No | No | Inheritance tax | Gift tax | Fee for use of building grounds and land | Property transfer tax |
| Spain | Yes (*) | No | Inheritance tax | Gift tax | Real estate tax (IBI) | Property transfer tax and stamp duty (PTTSD) |
| Sweden | No | No | No | No | Municipal property fee Property tax (on commercial properties) | Stamp duty (stämpelskatt) |

Notes: (*) On individuals. (**) On corporations.

Source: Authors' elaboration.

Net wealth taxes, defined as the difference between the assets and liabilities of the household, individual or other taxable unit being assessed, are currently rare within the EU. Spain is the only Member State to apply a comprehensive annual net wealth tax, which is levied on individuals whose

assets exceed a national threshold, with progressive rates and regional variations. In contrast, Luxembourg maintains a net wealth tax that applies exclusively to corporate taxpayers, assessed annually on the net assets reported by resident companies. Other countries, such as Denmark, Finland, France, Germany and Sweden, have abolished their net wealth taxes over the past three decades. These decisions were often driven by concerns about capital flight,¹⁶ difficulties in asset valuation (especially for illiquid assets),¹⁷ limited revenue yield (typically less than 0.2 % of GDP),¹⁸ administrative complexity,¹⁹ high enforcement costs²⁰ and concerns that they may prompt high-net-worth individuals to relocate their tax residency.²¹

In France, for instance, the wealth tax (Impôt de Solidarité sur la Fortune, ISF) was replaced in 2018 with a narrower real estate wealth tax (Impôt sur la Fortune Immobilière, IFI), which applies only to real estate assets with a net value above €1.3 million, reflecting a strategic retreat from taxing net wealth more broadly. In Italy, a wealth tax on foreign property applies to real estate assets owned abroad by Italian residents, taxed at a rate of 1.06 % (in effect since fiscal year 2014).²² In the Netherlands, while there is no specific wealth tax or traditional capital gains tax, a form of taxation applies to individual wealth.²³ Finally, Belgium reintroduced, in 2021, a form of wealth tax on net assets held in securities accounts with a value equal to or exceeding €1 million over a specified reference period.²⁴ The table below summarises the tax rates applied to specific types of assets under partial or targeted wealth taxation regimes in selected Member States (see Table 3).

Table 3 – Wealth tax rates on certain assets

| Country | Type of asset | Tax rates | | Competent authority |
|---------|--|------------------------------|--------------|---------------------|
| | | Lowest rate | Highest rate | |
| Belgium | Securities accounts exceeding €1 million | 0.15 % | | Central government |
| France | Real Estate Wealth Tax (IFI) | 0.0 % (up to €800 000) | 1.50 % | National (DGFIP) |
| Italy | Immovable assets owned by Italians abroad (IVIE) | 0.0 % (if tax is below €200) | 1.06 % | |

¹⁶ D. Seim, '[Behavioral Responses to Wealth Taxes: Evidence from Sweden](#)', *American Economic Journal*, 2017.

¹⁷ See, Advani et al. (2020).

¹⁸ M. Henrekson, and G. Du Rietz, '[The Rise and Fall of Swedish Wealth Taxation](#)', *Nordic Tax Journal*, 2014; S. Perret, '[Why were most wealth taxes abandoned and is this time different?](#)', *Fiscal Studies*, 2021.

¹⁹ S. Bastani, S, and D. Waldenström, '[How Should Capital Be Taxed?](#)', *Journal of Economic Surveys*, 2020.

²⁰ Boadway et al. (2010).

²¹ Ritter et al. (2024).

²² Additionally, a wealth tax is levied on financial investments held abroad by Italian residents, with a maximum applicable rate set at 0.4 %. Furthermore, a stamp duty is imposed on domestic financial investment, subject to a 0.2 % rate in 2025.

²³ Under the box 3 system ('Vermögensrendementsheffing'), a tax on presumed investment returns requires individuals to report their investments, savings, real estate investments and other assets as of 1 January each year.

²⁴ 12-month period, starting on 1st October until 30th September of the next year. A tax rate of 0.15 % is levied on the entire account value, irrespective of asset composition.

| Country | Type of asset | Tax rates | | Competent authority |
|-------------|--|------------------------------------|----------------------|----------------------------------|
| | | Lowest rate | Highest rate | |
| | Financial investments owned by Italians abroad (IVAFE) | 0.0 % ⁽¹⁾ | 0.4 % ⁽²⁾ | National (Agenzia delle Entrate) |
| | Stamp duty on financial investments | 0.2 % | | |
| | Stamp duty on bank accounts | €0.0 ⁽³⁾ | €34.2 ⁽⁴⁾ | |
| Netherlands | Investment returns (Box 3) | 36 % (for investment/other assets) | | National (Belastingdienst) |

Notes: ⁽¹⁾ Only for bank accounts, if annual average balance is below €5 000. ⁽²⁾ Only applicable for financial assets held in states or territories considered having privileged taxation regimes. ⁽³⁾ Only for individuals current or savings account in the name of the taxpayer that accumulate to an average balance below €5 000. ⁽⁴⁾ Only for individuals current or savings accounts in the name of the taxpayer that accumulate to an average balance above €5 000.

Source: Authors' elaboration.

Box 1 – Spain: An established but fragmented wealth tax

Spain is currently the only EU Member State with a fully operational net wealth tax. Reintroduced in 2011 as a temporary crisis measure and subsequently maintained, the Spanish wealth tax applies to individuals with net assets exceeding €700 000, with an additional exemption of up to €300 000 for primary residences. The tax is progressive, with rates ranging from 0.2 % to 3.5 %, although the effective rates vary significantly due to decentralisation.

A key feature of the Spanish system is that the tax is administered at the level of the autonomous communities, which have broad discretion to set their own rates and exemptions. This has created internal tax competition within Spain, drawing wealthy individuals to lower-tax regions and raising equity concerns.¹

While the tax generates modest revenue (around €1.5 billion annually, or less than 0.2 % of GDP and below 1 % of total tax collected), it has often been justified as a mechanism for promoting fiscal solidarity and vertical equity, given regional and income disparities.

While many EU countries abolished their net wealth taxes during the 1990s and 2000s, the picture has become more nuanced in recent years. Spain maintains a broad-based net wealth tax, Luxembourg applies one to corporations, and Belgium and France have adopted narrower forms of wealth taxation (e.g. securities account tax, real estate wealth tax).

Box 2 – Sweden: A high-tax country without a wealth tax

Sweden offers a striking contrast. Despite a long tradition of relatively high taxation and a strong welfare state, the country abolished its net wealth tax in 2007, after decades of mounting concerns over efficiency and impact on competitiveness. The tax had applied to both real and financial assets above modest thresholds, but its design became increasingly difficult to sustain in the context of global capital mobility.

Swedish policymakers justified the repeal on several grounds: the wealth tax raised very limited revenue (roughly 0.1 % of GDP annually), imposed high administrative costs and disproportionately affected domestic savers and entrepreneurs unable or unwilling to shift assets abroad. Furthermore, the tax was seen as insufficiently progressive, as many wealthy individuals successfully shielded their assets through valuation strategies or relocation to more favourable jurisdictions. The abolition of the tax was part of a broader shift towards taxing capital income, property and consumption, all seen as more stable and efficient bases in a globalised economy.

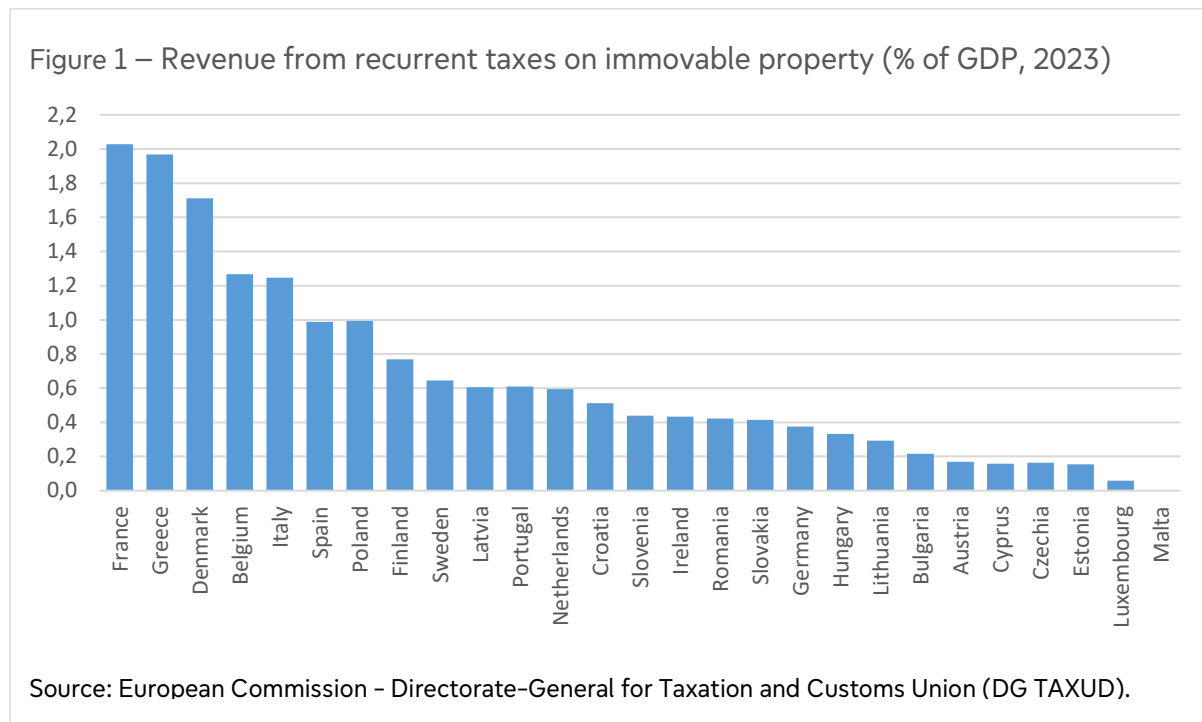
Today, Sweden still has a high tax-to-GDP ratio (over 42 %) without a wealth tax, relying instead on a comprehensive income tax system, VAT and robust property taxation. While the abolition of the wealth tax has been credited with helping to retain high-net-worth individuals and entrepreneurs who might otherwise have moved assets abroad, it has also contributed to a steady rise in wealth concentration.

Inheritance and gift taxes are more widespread across the EU but are highly diverse in design and application. Most Member States impose some form of inheritance tax, although the rate structures, exemption thresholds and tax bases vary considerably. In countries like Germany and Belgium, inheritance tax regimes are relatively broad and progressive, often with significant exemptions for spouses and children. In contrast, other Member States (e.g. Austria, Slovakia, Sweden) have repealed their inheritance and gift taxes, citing administrative complexity and modest revenue returns. Meanwhile, countries like Italy and Czechia maintain nominal inheritance taxes whose limited base and application result in modest fiscal yields. The absence of an EU-level framework for inheritance taxation leads to inconsistencies and complications in cross-border bequests, with the risk of double taxation in cases where bilateral tax treaties do not apply. The European Commission has acknowledged these issues (European Commission, 2011), but coordination remains limited. Tax rates for inheritance and gift taxes across the EU are summarised in Annex 1 – Table 14 and Table 15.

Real estate taxes constitute a major component of wealth-related taxation across the EU. Nearly all Member States levy recurrent property taxes, but the design, valuation methods and overall effectiveness of these taxes vary considerably. One challenge is the reliance on outdated cadastral values, which often fail to reflect current market conditions. This can result in distorted tax burdens and undermining equity.²⁵

²⁵ See, Blöchliger, 2015; OECD, 2022a.

To illustrate the relative importance of these taxes in national revenue systems, Figure 1 presents the share of GDP raised from recurrent taxes on immovable property in 2023. This comparative indicator highlights the fiscal weight and diversity of property taxation across the EU.



For instance, Luxembourg continues to use property values last assessed in 1941, albeit indexed to inflation.²⁶ Germany, by contrast, recently implemented a major reform (*'Grundsteuer'*), replacing historical valuations from 1935 (East Germany) and 1964 (West Germany) with a modernised model (*'Bundesmodell'*) that takes into account actual land values, building characteristics, rental levels and regional factors. The reform, which came fully into effect in 2025, also introduced periodic revaluation cycles to maintain alignment with market developments.

Moreover, the effective tax rates on real estate sales tend to be lower in the EU than in other advanced economies (see Annex 1 – Table 16 and Table 17). While capital gains on property sales are often taxed, many Member States offer exemptions for primary residences or long holding periods. For example, Germany exempts capital gains on homes held for more than 10 years, and France provides exemptions for primary residences. Croatia levies a 'holiday home tax' that covers only holiday homes. Integration of real estate taxes into broader assessments of personal wealth remains limited. In practice, real estate is often taxed in isolation, without regard to the overall net wealth of the taxpayer. Furthermore, the treatment of mortgage interest deductions, the taxation of imputed rents, and rules on foreign-owned property diverge substantially across countries.

Overall, the European landscape of wealth taxation is marked by divergence in both policy design and fiscal intent. While most Member States impose some form of tax on wealth or wealth transfers,

²⁶ J. Licheron, *Projet de Réforme de l'Impôt Foncier: Évaluation réalisée par le LISER*, LISER, Luxembourg Institute of Socio-Economic Research, 2022.

the scope, impact and economic rationale of these taxes differ widely. This lack of coherence has implications for capital mobility, tax fairness and the functioning of the internal market.

2.2. Core design and practices

The effectiveness and fairness of wealth taxation critically depend on its design. Effectiveness can refer to a tax's ability to raise revenue, reduce inequality through redistribution, or minimise avoidance while maintaining administrative feasibility. Fairness, meanwhile, is often assessed in terms of horizontal and vertical equity – whether taxpayers with similar wealth are treated equally and whether higher levels of wealth are taxed proportionately more. Across EU Member States, the main parameters (e.g. tax base, rates and progressivity, exemptions or allowances) vary widely. These differences not only shape the distributional and fiscal effects of wealth-related taxes but also create complexity for cross-border taxpayers and limit the scope for coordination.

The **tax base** is perhaps the most contested and variable element in the design of wealth taxes. In some Member States, the base is relatively broad, including financial assets (such as shares, bonds and investment funds), real estate, business ownership and sometimes even pension entitlements or luxury goods.

Spain, for instance, taxes most movable and immovable assets, including foreign assets held by residents, with certain carve-outs. In contrast, France's reformed wealth tax (i.e. IFI) targets only real estate, excluding financial assets altogether. Several countries also exclude certain categories of assets from wealth or inheritance tax bases, such as primary residences, business assets, agricultural land or pension entitlements. These exclusions often reflect political compromises or economic considerations (e.g. to avoid penalising entrepreneurship or family farming), but they also significantly narrow the effective tax base and reduce horizontal equity.

In Luxembourg (net wealth tax levied on corporations), the tax base is the taxpayer's net wealth, which is determined by subtracting liabilities and exemptions from total assets. Real estate located outside Luxembourg territory is in principle included in the tax base for resident companies but may be exempt in accordance with the provisions of applicable tax treaties. A key exemption in Luxembourg's net wealth tax applies to 'significant participations', allowing qualifying shareholdings in subsidiaries to be excluded from the tax base. Such exemptions reflect national policy choices and contribute to divergence across Member States, making it difficult to compare wealth tax systems or evaluate the scope for EU-level coordination.

Tax rates and schedules also differ markedly across jurisdictions. In the context of net wealth taxes, marginal rates are typically low (often between 0.1 % and 1.5 %) but applied on a broad asset base. Spain applies a progressive schedule ranging from 0.2 % to 3.5 %, with regional variations (see Table 4). In contrast, the wealth tax rate schedule in Luxembourg is regressive: it applies a rate of 0.5 % for net assets up to €500 million, but just 0.05 % for amounts exceeding that threshold. France's previous ISF also featured progressive brackets, although the effective burden was often reduced through generous exemptions and valuation discounts.

Table 4 – Net wealth tax rates in Luxembourg and Spain

| Country | Tax | Tax rates | | Competent authority |
|------------|---|--|---|--|
| | | Lowest rate | Highest rate | |
| Luxembourg | Net-wealth tax on corporates | 0.05 % (for net wealth above €500 million) | 0.5 % (for net wealth up to €500 million) | National (Administration des contributions directes (ACD)) |
| Spain | Net-wealth tax | 0.20 % | 3.50 % | Autonomous Communities |
| | Temporary tax levied on large fortunes (applies to individuals with net asset value ≥ €3 million) | 0.00 % | 3.50 % | |

Source: Authors' elaboration.

Rates for inheritance and gift taxes tend to be higher – frequently reaching 30 % to 40 % for transfers to distant relatives or non-relatives. However, these headline rates rarely reflect the actual effective burden, as most Member States apply substantial exemptions, allowances or preferential regimes. For instance, Luxembourg applies a progressive rate of 6 % to 15 % for transfers beyond the direct line, while transfers between close relatives are often exempt or taxed at very low rates. Across the EU, some countries use flat-rate systems, while others adopt sharply progressive schedules based on both the value of the inheritance and the relationship between donor and beneficiary.

Exemptions and allowances play a crucial role in determining the distributional and behavioural effects of wealth taxation. Personal allowances – exempting a fixed amount of wealth or inherited assets from taxation – are often quite generous. In Spain, for instance, personal exemptions under the wealth tax can exceed €700 000, and additional exemptions apply for primary residences. In inheritance taxation, nearly all Member States provide full or partial exemptions for close relatives, especially spouses and direct descendants. Germany exempts inheritances up to €400 000 for children and €500 000 for spouses, while Luxembourg exempts the statutory share inherited by immediate family members from inheritance tax.

Many Member States also grant preferential treatment for business assets or family-owned enterprises, primarily to support business continuity and avoid forced liquidations. In Germany, for example, heirs or family firms may obtain a full exemption from inheritance and gift taxes if certain conditions or continued operation and employment are met.²⁷

While these exemptions could serve social or economic policy goals, they could often reduce the progressivity of the tax and lead to unequal treatment across wealth types or household structures.²⁸

²⁷ See, KPMG, [Tax-free transfer of company shares](#), KPMG, 2024.

²⁸ S. Marti, I. Martínez, and F. Scheuer, '[Does a progressive wealth tax reduce top wealth inequality? Evidence from Switzerland](#)', *Oxford Review of Economic Policy*, 2023; OECD, [Taxation and Inequality: OECD Report to the G20 Finance Ministers and Central Bank](#), Organisation for Economic Co-operation and Development, OECD Publishing, Paris, 2024.

In practice, they could favour wealth held in specific forms (e.g. family businesses or real estate) and undermine horizontal equity between taxpayers of similar means.²⁹

Together, these design features could significantly influence both the distribution of tax burden across taxpayers and the administrative feasibility of wealth-related taxes. They also illustrate the policy trade-offs involved in designing effective and politically acceptable wealth taxes: between broad coverage and simplicity, between revenue yield and capital mobility, and between perceived fairness and economic neutrality. In the absence of EU-level coordination, the wide disparities in these design elements risk undermining tax fairness, facilitating avoidance and distorting investment and location decisions.

2.3. Divergences and single-market impacts

While the diversity of wealth taxation regimes across the EU is well established, what matters increasingly is how these divergences impact the integrity of the single market. National differences go beyond the presence or absence of particular taxes – they extend to the definition of taxable wealth, valuation practices, and the design of exemptions and thresholds.

Some countries adopt a broad tax base that includes financial assets, real estate, business ownership and pension entitlements, while others focus more narrowly on immovable property or liquid financial assets. Similarly, valuation approaches range from updated market-based methods to outdated cadastral assessments, especially for real estate. These disparities result in uneven tax burdens, create opportunities for arbitrage, and undermine horizontal equity.

Exemptions and thresholds vary widely – from generous personal allowances to carve-outs for specific asset classes such as agricultural land, family-owned enterprises or primary residences. These variations could lead to dramatically different effective tax rates for individuals with similar levels of wealth, depending on the composition of their assets and country of residence. In some cases, exemptions could render the tax almost ineffectual; in others, they may distort behaviour, such as discouraging intergenerational business transfers or encouraging portfolio reallocation.

The Netherlands offers a notable example of some best practice in valuation, with annual revaluations of real estate conducted through the WOZ ([Waardering Onroerende Zaken](#)) system to keep assessments aligned with market conditions.³⁰ By contrast, some Member States³¹ continue to

²⁹ See, Chamberlain, 2021; Mas-Montserrat et al., 2025.

³⁰ The WOZ system is the Dutch property valuation framework under which municipalities assess the value of all real estate annually. These valuations are used to calculate property taxes but also feed into other levies such as income tax on imputed rent and water board charges. The WOZ value reflects the estimated market value of the property as of 1 January of the previous year.

³¹ For example, among them, Czechia, Estonia, Italy, Lithuania, Portugal, Slovakia.

rely on cadastral values that are only infrequently updated³² and therefore often diverge from market prices.³³

Perhaps most problematic are the differences in cross-border rules, which become particularly relevant in the context of increasing mobility of both people and capital. National laws vary in how they treat foreign-held assets, the definition of tax residence for wealth purposes and the application of inheritance and gift tax rules in cross-border situations. These inconsistencies could result in either double taxation – where the same asset is taxed in two jurisdictions – or non-taxation – where mismatches in legal definitions or enforcement practices allow assets to escape taxation altogether. The absence of coordinated rules or effective dispute resolution mechanisms may add further legal uncertainty, undermining the integrity of Member States' tax bases and frustrating compliance efforts by taxpayers.³⁴

The result is a patchwork of uncoordinated policies that gives rise to several economic and administrative distortions with implications for the single market:

- **Capital mobility and tax arbitrage:** High-net-worth individuals can engage in 'jurisdiction shopping', relocating their residence or restructuring their assets to benefit from lower effective tax burdens. This puts downward pressure on national wealth tax rates and weakens the redistributive capacity of tax systems.
- **Double or non-taxation:** In the absence of harmonised cross-border rules or comprehensive bilateral treaties, wealth or inheritance may be taxed multiple times or escape taxation entirely. This creates inequities between domestic and mobile taxpayers, results in revenue losses and may be incompatible with the EU's fundamental freedoms.
- **Administrative inefficiencies:** National tax administrations face considerable difficulties in coordinating audits, verifying cross-border asset declarations and exchanging reliable information on taxpayers' worldwide holdings. The lack of standardised definitions, data formats and reporting requirements limits the effectiveness of EU-wide instruments such as DAC and undermines mutual trust.

Overall, there is a trend across the EU towards greater reliance on taxes on wealth transfers (inheritance, estate, gift taxes) rather than recurrent net wealth taxation.³⁵ This reflects both political and administrative considerations: inheritance and gift taxes are often perceived as more equitable,³⁶ since they target unearned windfall gains, and they are administratively simpler to enforce, as valuation takes place at discrete transfer events rather than through complex annual

³² For instance, Italy's cadastral values (valori catastali) have long been criticised for underestimating market values, in some cases by more than 50 % (Pellegrino et al., 2011; Curto et al., 2016). Moreover, valuation rules for illiquid or non-listed assets (e.g. family businesses, art collections) are also frequently vague or inconsistently enforced, creating loopholes for tax avoidance and complicating administration (Daly et al., 2011; Morgan, 2023).

³³ M. Diagne, and H. Blöchliger, [Property taxes in Central and Eastern Europe and Baltic countries: why and how to increase them?](#), Organisation for Economic Co-operation and Development, February 2023.

³⁴ J. Olmedo, J., [The fragmentation of international investment and tax dispute settlement: A good idea?](#), *Leiden Journal of International Law*, Vol. 36 (3), 2023.

³⁵ See, Bastani and Waldenström, 2020; Perret, 2021.

³⁶ See, Elinder, 2018; Fize et al., 2022.

assessments of total net worth.³⁷ However, even in the area of inheritance taxation, fragmentation remains profound, with significant implications for fairness, mobility and tax planning. A further complication is the growing ease with which wealthy individuals and families could engage in tax arbitrage, relocating assets or changing residence to exploit national differences in tax regimes.³⁸

In the absence of a coordinated framework, these national disparities may generate economic inefficiencies and legal uncertainty for cross-border taxpayers, and in some cases could create frictions for the functioning of the single market. At the same time, it is clear that a fully harmonised EU-level wealth tax would be politically sensitive, and it is unlikely in the near term, not least because direct taxation remains primarily a national competence and Member States take different views on the appropriate role of wealth taxation.

Against this background, a more realistic discussion at EU level would focus on targeted forms of coordination rather than full harmonisation. This could include greater clarity and consistency in definitions (e.g. what counts as taxable wealth), valuation rules (in particular for high-value real estate and business assets) and reporting standards for cross-border assets. The aim of such steps would not be to align tax rates or to pursue redistribution at EU level, but rather to reduce double taxation and non-taxation, limit opportunities for arbitrage that exploit purely formal differences between national systems, and lower compliance and enforcement costs in cross-border situations. In this sense, more consistent treatment of certain elements of wealth taxation could be viewed as a way to address specific cross-border frictions within the single market, while preserving Member States' fiscal autonomy.

2.4. Stakeholder survey responses

This section analyses the responses of national tax authorities and ministries concerning wealth taxation, focusing in particular on real estate, inheritance and gift taxes. The aim is to capture recent reforms, planned initiatives, and the extent to which Member States are evaluating and adapting their tax systems in these areas. The full list of stakeholders contacted and those that completed the survey is provided in Annex 1 – Table 22.

Recent changes to tax on real estate

Real estate taxation remains one of the most common forms of wealth taxation. Its relevance was underscored by the fact that all survey respondents reported that such a tax is levied in their Member State. However, fewer than half (40 %) indicated having introduced new measures in recent years to improve revenue collection, administrative efficiency, fairness or simplicity (see Figure 2).

In Lithuania and Czechia, reforms focused on simplifying tax collection. In the latter this was achieved by reducing the number of exemptions applicable to real estate, while the former

³⁷ T. McDonnell, and M. Collins, '[Taxation and Intergenerational Fairness: Exploring the Role of Inheritance Taxes with a Focus on Ireland](#)', *Social Policy & Society*, 2025.

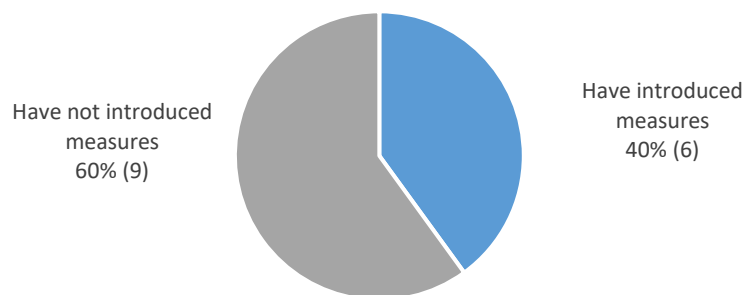
³⁸ France's former wealth tax (ISF) was associated with notable relocation of high-net-worth individuals to Belgium and Switzerland (Trannoy, 2014), while preferential residence regimes in Portugal and Italy have recently drawn wealthy individuals from other EU states (Krajcуска, 2024). This raises the risk of regressivity, whereby the wealthy contribute proportionally less to public finances than middle-income households, despite higher asset holdings.

introduced pre-filled declarations for individuals, who only need to confirm the accuracy of the information provided. More targeted reforms were adopted in Austria and Spain.

In Austria, the authorities reassessed the yield value of agricultural and forestry land every 9 years until 2023, a process that represented a significant administrative burden. In 2023 this was replaced by a rolling procedure, which adjusts values whenever they increase by more than 20 % during a single observation period. The change coincided with the digitalisation of agricultural and forestry property data.

In Spain, persistent complaints from property owners disputing valuations led to a reform of the calculation method. Previously, values were based on individual assessments. Since 2021, the base for real estate transfer taxes has been derived from an annual statistical analysis of transaction prices recorded by notaries. The average of these prices now serves as the tax base.

Figure 2 – Number of Member States that have introduced measures to improve revenue collection, administrative efficiency, fairness or simplicity in the last 5 years



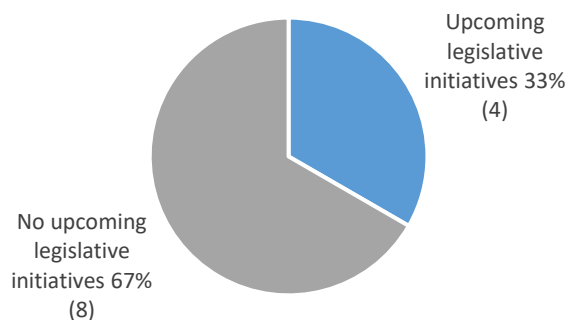
Notes: Question asked: 'Has your country over the past five years introduced any significant measures in this area that clearly improved revenue collection, administrative efficiency, fairness, or simplicity?'.
Number of responses = 15.

Source: Authors' elaboration based on stakeholders' survey responses.

Among the Member States that adopted reforms in the last 5 years, only Finland and Spain reported conducting an ex-post evaluation. While the Finnish analysis has not been published, the Spanish one is [public](#). It found that the new methodology has improved tax certainty for property owners, reducing disputes and enhancing revenue collection.

Looking forward, four authorities reported plans for legislative initiatives (see Figure 3). In Croatia, a real estate ownership tax will be introduced in 2025. Planned reforms include differentiated transfer tax rates depending on property use (e.g. principal residence, vacation home, rental property), with rental properties further divided. Authorities aim to counter the impact of short-term tourist rentals on housing affordability by applying a higher rate (10 %) to such rentals, while long-term residential rentals will be taxed at a lower rate (8 %). Lithuania has adopted a similar approach, distinguishing between primary residences and non-commercial immovable property for tax purposes. In Finland, reforms are underway to narrow the gap between taxable and market values of properties. Estonia has focused on strengthening the land tax framework by giving local authorities greater capacity to grant reliefs and adjust tax design to local conditions.

Figure 3 – Number of EU countries with upcoming legislative initiatives related to real estate and land possession or transfer taxation



Notes: Question asked: 'Are there any upcoming legislative initiatives in your country related to the taxation of real estate and land possession or transfer?'. Number of responses = 12.

Source: Authors' elaboration based on stakeholders' survey responses.

Inheritance tax

As previously noted, most Member States levy an inheritance tax. Among the seven respondents that do not, none reported plans to introduce one. Of those that do, only Spain reported reforms in the last 5 years. [Law 11/2021](#) introduced a reference value as the basis for calculating real estate transfer tax, aligning inheritance taxation with the new approach described above. The valuation is derived from all property sales recorded by notaries, replacing individual assessments. Spanish authorities continuously monitor the effects of the reform and have conducted ex-post evaluations.

Lithuania, which already levies an inheritance tax, indicated that although no reforms have been made in the past 5 years, new measures are currently under preparation (details not yet specified). In Finland, legislators are considering several changes to simplify and ease the inheritance tax system. These include raising the minimum taxable share, exempting ordinary household goods, and advancing digitalisation to reduce administrative burdens for both beneficiaries and authorities.

Gift tax

Two thirds of respondents (67 %) reported levying a gift tax, while the remainder do not, and none indicated plans to introduce one. Among the countries that do levy such a tax, a few are considering reforms. Austria is weighing an increase in the minimum taxable value. Finland is preparing similar changes, including a higher tax-free threshold, exemptions for household goods, revised brackets, and a reduction in the overall gift tax rate.

3. Cryptoassets taxes

Key findings

- Cryptoassets could challenge traditional tax systems because of their decentralised issuance, cross-border use, quasi-pseudonymity and fast-evolving nature, which complicates classification, valuation and enforcement.
- Member States have adopted divergent approaches: some apply general income or capital gains tax principles by analogy, while others have introduced targeted legislative frameworks.
- Significant variation exists in the treatment of key issues such as the definition of taxable events (crypto-to-crypto vs crypto-to-fiat), classification of income (capital gains vs personal/business income) and reporting obligations.
- The most common national reforms have focused on improving compliance through disclosure requirements and digital reporting tools, but implementation remains uneven.
- Stakeholder surveys confirm that DAC8 is expected to be the main driver of convergence in the coming years, while some national initiatives illustrate diverse trajectories.
- The lack of EU-level coordination could result in regulatory arbitrage, hidden liabilities and fragmented enforcement. These divergences could generate frictions for cross-border activity and make it harder to ensure tax neutrality and consistent treatment across Member States.

Cryptoassets have moved from niche to mainstream in the digital economy, bringing both opportunities and challenges for EU tax policy. They encompass a broad spectrum of digital instruments, from payment tokens like Bitcoin to complex programmable assets used in decentralised finance (DeFi). Their unique features, including decentralised issuance, cross-border accessibility, and – in the absence of effective regulatory frameworks in some jurisdictions – pseudonymity, distinguish them from traditional financial assets and raise questions about how to integrate them into existing tax systems. Pseudonymous transactions and decentralised exchanges complicate enforcement, increase risks of VAT and income tax evasion, and highlight the need for updated international cooperation frameworks.³⁹

Beyond financial innovation, cryptoassets pose a conceptual and operational test for the EU's tax systems. The core challenge lies in the tension between the decentralised, fast-evolving nature of crypto technologies and the jurisdiction-bound, legacy structures of national tax administrations. Most national systems were designed to deal with clearly defined asset classes – such as real property, securities or business income – anchored to identifiable legal entities and located within physical jurisdictions. Cryptoassets, by contrast, are digital, often pseudonymous, frequently traded across borders and increasingly held through decentralised platforms or third-country intermediaries. This makes even basic tasks (e.g. determining the taxable event, assessing fair

³⁹ K. Baer, R. De Mooij, S. Hebous, and M. Keen, 'Taxing cryptocurrencies', *IMF Working Papers 2023*, 2023; K. Baer, R. De Mooij, S. Hebous, and M. Keen, [Crypto Poses Significant Tax Problems—and They Could Get Worse](#), International Monetary Fund, 2023.

market value, identifying the timing of realisation) extraordinarily difficult without specific regulatory and reporting frameworks in place.

In many Member States, the application of general tax principles to cryptoassets has therefore produced ambiguous and sometimes contradictory results, exposing taxpayers to compliance risks while leaving authorities with limited enforcement tools. Against this backdrop, this chapter maps how EU Member States classify and tax cryptoassets, examines national legislative approaches and gaps, and analyses how and why regimes diverge – and why this matters for tax neutrality, enforcement capacity and cross-border compliance within the single market. It uses the taxonomy developed under the [Markets in Cryptoassets Regulation](#) (MiCA) as a reference point where helpful and distinguishes treatment across income, capital gains, VAT, inheritance and wealth taxes (including specific issues such as mining, staking, DeFi and non-fungible tokens (NFTs)). It also assesses reporting and third-party disclosure rules (the Crypto-Asset Reporting Framework (CARF)/DAC8) and the degree of administrative cooperation. Finally, the chapter draws on stakeholder survey responses to document recent reforms and planned initiatives.

3.1. Scope and current landscape

Cryptoassets constitute a heterogeneous and rapidly evolving class of digital assets that operate through distributed ledger technologies, most notably blockchain. Their defining feature is the absence of centralised control, which enables peer-to-peer transactions and the decentralised issuance of value units. While this innovation holds transformative potential for financial markets and digital services, it also poses considerable risks and classification challenges for tax authorities.

At the core of these challenges lies the multifunctional nature of cryptoassets. Depending on their technical structure and economic function, cryptoassets may be used as a means of payment, a speculative investment, a form of digital property or a right to access a digital service or network. These varied use cases complicate the application of traditional tax concepts, which were designed for more clearly delineated categories of assets and income.⁴⁰

Tax authorities face the difficult task of determining how to classify cryptoassets under existing legal and fiscal frameworks. This classification is critical, as it determines the applicable tax treatment – ranging from income and capital gains taxation to VAT, inheritance or even wealth taxes. Several tax-relevant typologies have emerged, broadly corresponding to the following categories:

- **Payment tokens (e.g. Bitcoin, Litecoin):** Designed primarily as a medium of exchange, these tokens are often viewed as a digital currency. However, most Member States do not recognise them as legal tender, leading to treatment as intangible property or commodities for tax purposes. Gains from sale or exchange may be treated as capital gains or miscellaneous income.

⁴⁰ It must also be expected that cryptoassets will grow significantly in importance as users become more familiar with them and as new products are developed for consumers and businesses – a trend underscored not only by the US Securities and Exchange Commission's approval of the first spot Bitcoin ETFs in 2024 (Gensler, 2024), but also by recent legislative initiatives in the United States (Sandlund, 2025). In July 2025, the US Congress debated a package of bills – including the Digital Asset Market Clarity Act – aimed at making the US the 'world's crypto capital', signalling both political momentum and increasing regulatory certainty for the sector.

- **Investment tokens or security tokens:** These tokens confer rights similar to traditional financial instruments, such as profit-sharing, dividend payments or voting rights. In many jurisdictions, they are treated analogously to shares or bonds, with implications for both corporate and personal income tax.
- **Utility tokens:** These grant access to a specific service or platform and are often pre-sold in initial coin offerings (ICOs). Their classification depends heavily on context. If the token is traded on secondary markets, it may be reclassified as a financial instrument. If consumed as part of a service, VAT and income tax rules may apply.
- **Stablecoins:** Pegged to the value of a fiat currency or basket of assets, stablecoins blur the lines between payment instruments and financial assets. Their relatively stable value increases their use in day-to-day transactions, but their tax treatment remains inconsistent – some countries treat them as foreign currency equivalents, others as property.
- **Non-fungible tokens (NFTs):** These are unique, indivisible digital representations of ownership, often linked to digital art, collectibles or gaming assets. NFTs raise novel valuation issues, and tax authorities differ in whether they treat them as intangible assets, capital assets or consumer goods, with corresponding implications for capital gains, VAT, and wealth taxation.

Most EU tax systems are not yet equipped to deal comprehensively with such distinctions.⁴¹ In the absence of EU-level guidance or harmonisation as taxation remains a national prerogative, Member States have adopted divergent interpretations, sometimes even within the same country across different taxes (e.g. income tax vs VAT). This lack of coherence increases legal uncertainty for taxpayers, opens avenues for regulatory arbitrage and hinders effective tax administration.

The classification of cryptoassets, therefore, represents a foundational issue in the design of tax regimes for digital value. Without agreement on what is being taxed, and under what legal characterisation, it would be difficult to ensure neutrality, enforceability and cross-border consistency in taxation.

3.2. Core design and practices

The taxation of cryptoassets across EU Member States remains fragmented, reflecting the novelty of the asset class, differing legal traditions and the absence – until recently – of coordinated guidance at the European level. While the EU has made progress in regulating aspects of the crypto economy (e.g. through MiCA), tax treatment has largely remained the prerogative of national authorities. As with other areas of taxation, this has resulted in a patchwork of regulatory practices that vary widely in scope, legal certainty and administrative sophistication.

⁴¹ In addition to functional classification, another layer of complexity arises from the hybrid nature of many cryptoassets. Tokens may evolve in their usage over time, initially launched as utility tokens but later used primarily for investment. This dynamic nature challenges static classification models and necessitates a context-sensitive, substance-over-form approach.

A few Member States have moved ahead with dedicated legislative or administrative measures. Germany has for instance [adopted](#) a relatively comprehensive approach.⁴² It distinguishes between private individuals and commercial entities, applying different tax treatments based on the classification of transactions. For example, under German law, cryptoassets held for more than 1 year by private individuals are exempt from capital gains tax, whereas shorter-term disposals are taxable under personal income rules. Businesses, in contrast, are taxed under corporate income tax provisions and may also be subject to VAT depending on the nature of their operations. The German tax authority (Bundeszentralamt für Steuern) has also issued interpretative guidance and incorporated crypto-related questions into its tax return templates.

Portugal initially adopted a tax regime which exempted private individuals from capital gains taxation on crypto transactions. This approach attracted considerable attention from crypto investors and digital nomads.⁴³ However, in response to rising transaction volumes and fiscal concerns, Portugal introduced reforms in 2023 that now subject crypto gains to progressive income taxation, albeit with exemptions for long-term holdings (over 1 year) and provisions for cost deductions. The shift marked a significant departure from earlier policy and reflects a broader trend toward greater scrutiny. A comparative overview of cryptoassets-related tax rates across EU Member States is provided in Table 5 below.

Table 5 – Tax rates on cryptoassets

| Country | Tax | Tax rates | | Mandatory tax declaration |
|----------|--|---------------------------------|------------------------------------|---|
| | | Lowest rate | Highest rate | |
| Austria | Capital gains tax | 27.5 % flat rate | | Yes – crypto treated as securities; always reportable |
| Belgium | Capital gains tax ⁽¹⁾ | 0 % | 33 % | Conditional – declaration required if classified as professional/speculative activity |
| Bulgaria | Personal income tax | 10 % flat rate | | Yes – must be reported as 'other income' |
| Croatia | Capital gains tax | 0 % (if held more than 2 years) | 12 % | Yes – crypto included under capital gains rules |
| Cyprus | NA | NA | NA | No – no explicit crypto tax framework for individuals |
| Czechia | Personal income tax (exempted if held more than 3 years) | 0 % | 23 % (for annual income > €70 000) | Conditional – declaration only if income exceeds €70 000 |
| Denmark | Personal Income tax (if acquired for speculative purposes) | 37 % | 52 % | Yes – reporting of all trades is mandatory |

⁴² C. Wronka, '[Crypto-asset regulatory landscape: a comparative analysis of the crypto-asset regulation in the UK and Germany](#)', *Journal of Asset Management*, 2024.

⁴³ See, Baer et al., 2023; Von Hafe et al., 2025.

| Country | Tax | Tax rates | | Mandatory tax declaration |
|-------------|---|--|--|---|
| | | Lowest rate | Highest rate | |
| Estonia | Personal income tax | 22 % flat rate | | Yes – must declare as income upon disposal |
| Finland | Capital gains tax | 30 % (Up to €30 000) | 34 % (if > €30 000) | Yes – reporting of all disposals is mandatory |
| France | Capital gains tax | 30 % flat rate | | Yes – all disposals reportable; foreign accounts must be declared |
| Germany | Personal income tax (short term gains) | 0 % | 45 % + 5.5 % solidarity surcharge | Yes – mandatory in annual return if taxable (held < 1 year) |
| Greece | Capital gains tax | 15 % flat rate | | Yes – included in annual income tax return |
| Hungary | Personal income tax | 15 % flat rate | | Yes – must be reported as 'other income' |
| Ireland | Capital gains tax | 33 % flat rate (annual exemption of €1 270) | | Yes – all taxable gains must be reported |
| Italy | Capital gains tax | 0 % (on gains above €2 000) | 26 % ⁽²⁾ | Yes – all holdings abroad must be reported |
| | Crypto-asset value tax (IVCA) (on foreign-held wallets) | 0.2 % of market value | | Yes – annual declaration mandatory |
| Latvia | Capital gains tax | 20 % flat rate | | Yes – included in income tax return |
| Lithuania | Capital gains tax | 0 % (if < €2 500 per year) | 20 % (for income > 120 times average monthly salary) | Yes – declaration required if above threshold |
| Luxembourg | Personal income tax | 0 % (if held > 6 months or gains ≤ €500 within 6-month period) | 42 % | Yes – all taxable gains must be declared |
| | Wealth tax for corporates | 0.05 % (for assets > €500 million) | 0.5 % (for assets < €500 million) | Yes – applies to companies |
| Malta | NA | NA | NA | No – no specific crypto rules for individuals |
| Netherlands | Wealth tax (Box-3 system) | 0 % | 36 % (on presumed return on asset value) | Yes – crypto holdings must be declared as part of wealth |
| Poland | Capital gains tax | 19 % flat rate | | Yes – reporting required for all disposals |

| Country | Tax | Tax rates | | Mandatory tax declaration |
|----------|---------------------------------------|------------------------|---|---|
| | | Lowest rate | Highest rate | |
| Portugal | Capital gains tax | 0 % (if held > 1 year) | 28 % | Conditional – declaration required for short-term disposals; exempt if > 1 year |
| Romania | Capital gains tax | 0 % | 10 % (if held < 1 year) | Yes – crypto treated as income; mandatory declaration |
| Slovakia | Capital gains tax | 7 % (if held > 1 year) | 25 % + 15 % health insurance contribution | Yes – crypto treated as income; declaration required |
| Slovenia | Capital gains tax ⁽³⁾ | 25 % | | Yes – mandatory declaration |
| Spain | Capital gains tax | 19 % | 28 % | Yes – holdings and gains must be declared; foreign wallets must be reported |
| | Wealth tax (> €700 000 in net-wealth) | 0.2 % | 3.75 % | Yes – crypto included in taxable wealth |
| Sweden | Capital gains tax | 30 % flat rate | | Yes – reporting required for all trades |

Notes: The tax rates presented above apply to private non-professional (individual) investors and may vary for institutional and frequent trading. 'NA' means cryptoassets held by private investors are not taxed in the country. ⁽¹⁾ Belgium will introduce a new capital gains tax on financial assets, entering into effect on 1 January 2026. Cryptoassets will be subject to a flat tax rate of 10 %, with an annual exemption of indexed €10 000. ⁽²⁾ Capital gains tax in Italy will increase to 33 % starting on 1 January 2026, according to the 2025 Budget Law. ⁽³⁾ Slovenia's government approved the proposal for the tax on capital gains from the Disposal of Cryptoassets Act and for the amendment to the Tax on gains from the Disposal of Derivative Financial Instruments Act starting on 1 January 2026.

Source: Authors' elaboration based on national sources and survey responses.

Denmark has taken a proactive administrative approach through its tax agency, Skattestyrelsen. Danish authorities have published binding rulings and guidance that differentiate personal investment, mining and business activity, and it requires transaction-level reporting. Operational measures and enforcement outcomes are summarised in the Box 3 below.

Box 3 – Denmark: An early mover on cryptoassets taxation

Denmark represents one of the most advanced and proactive EU jurisdictions in the taxation of cryptoassets. The Danish Tax Agency (Skattestyrelsen) has taken early and deliberate steps to clarify the tax treatment of various crypto-related activities, such as trading, mining, staking and airdrops. Binding rulings have been issued to distinguish between personal and business activity, with taxation applied under the income or capital gains regime depending on the nature of the transaction and the intent of the taxpayer.

The agency has also invested heavily in compliance enforcement and taxpayer engagement. Danish authorities obtained transaction data from foreign exchanges through bilateral information requests and used this data to issue pre-filled declarations and audit notices to individuals suspected of under-reporting gains. Cryptoassets disclosures are now integrated into annual tax return forms and guidance materials are regularly updated. This approach has significantly increased the visibility of cryptoasset taxation in Denmark's tax system and likely improved compliance. However, it has also increased the administrative burden on both taxpayers and the tax authority, particularly due to the complexity in categorising diverse transaction types and valuing tokens across multiple exchanges.

By contrast, a number of other Member States lack dedicated crypto tax frameworks altogether. In these jurisdictions, tax authorities tend to apply existing income tax or capital gains tax principles by analogy. This often leads to inconsistencies, both across countries and within a single country's tax code, depending on how cryptoassets are classified (e.g. as securities, intangible assets, commodities or even foreign currencies).⁴⁴

A further area of divergence concerns reporting obligations. Some Member States, such as France and the Netherlands, have introduced explicit disclosure rules for taxpayers, requiring annual reporting of crypto holdings above a specified threshold, even in the absence of taxable events. Others have extended anti-money laundering provisions to domestic exchanges, requiring them to collect and transmit transaction data to national tax authorities. However, many Member States still lack systematic crypto reporting rules or rely on self-reporting by individuals, which severely limits detection capacity and hampers international cooperation.⁴⁵

As the cryptoassets market matures and the volume of transactions – both retail and institutional – continues to grow, the absence of a coordinated EU-level tax approach risks undermining tax neutrality, horizontal equity and the effectiveness of administrative cooperation. The upcoming implementation of the EU's DAC8, which focus on an increasingly automatic exchange of cryptoassets information, is expected to improve reporting and data availability. However, without

⁴⁴ For example, if cryptoassets are treated as financial instruments, capital gains rules may apply; if treated as property, transaction timing, loss deductibility and inheritance tax treatment could differ substantially. These inconsistencies complicate tax compliance, introduce legal uncertainty and limit the effectiveness of cross-border enforcement.

⁴⁵ The lack of uniformity is also visible in the treatment of mining and staking income, where some countries treat it as self-employment income (taxable upon receipt), others as capital income and some as non-taxable if conducted on a non-commercial basis. This is further complicated by variations in VAT treatment. While the Court of Justice of the EU (CJEU) ruled in [Hedqvist \(C-264/14\)](#) that the exchange of Bitcoin for fiat currency is exempt from VAT, national interpretations of how far this exemption extends continue to differ.

harmonised tax rules or shared interpretative guidelines, compliance and enforcement will remain challenging. DAC8 requires EU Member States to obtain information from the reporting cryptoasset service providers (CASPs) and exchange that information with the EU country of residence of the taxpayer/investor on an annual basis. The effectiveness of this framework will also depend on how it interacts with the supervisory role of existing EU bodies – notably the European Central Bank, the European Securities and Markets Authority, and the new Anti-Money Laundering Authority (AMLA). AMLA has already [identified](#) cryptoassets as the top money-laundering threat in the EU and signalled that some crypto service providers will fall under its direct supervision by 2028, underscoring the importance of consistent oversight across jurisdictions.

3.3. Divergences and single-market impacts

The absence of a coordinated EU framework for the taxation of cryptoassets has resulted in a patchwork of national rules that differ markedly in scope, clarity and enforceability. This regulatory fragmentation poses significant legal, economic and administrative challenges across the single market.

A first major area of divergence concerns the definition of taxable events. Some Member States treat each crypto-to-crypto exchange (e.g. exchanging Bitcoin for Ethereum) as a realisation event triggering tax liability. Others limit taxation to conversion into fiat currency, reflecting more traditional notions of realised gains. This inconsistency leads to radically different tax outcomes for the same set of transactions depending on where the taxpayer is resident. It also complicates the assessment of whether a gain has been 'realised', especially in cases involving decentralised exchanges (DEXs) or liquidity pools that blur the distinction between asset swaps and passive holding.

Second, the applicable tax rates and the classification of income vary significantly. In some jurisdictions capital gains from cryptoassets may be taxed at relatively low flat rates, especially when held by individuals outside of business activity. In contrast, countries like Denmark or Ireland apply progressive personal income tax rates to many crypto-related gains, particularly when interpreted as speculative or business income. Some Member States apply differential treatment based on holding periods or thresholds, while others do not recognise crypto-specific nuances at all. This heterogeneity could lead to both horizontal inequity (unequal treatment of similar taxpayers across borders) and vertical inequity (misaligned treatment of income levels within countries).

A third layer of divergence involves reporting obligations and transparency requirements. In a few countries, crypto exchanges or wallet providers are subject to mandatory reporting regimes or obliged to conduct know-your-customer procedures linked to tax obligations. Other Member States lack such requirements entirely, resulting in de facto opacity regarding crypto holdings and transactions. Even where taxpayer self-reporting is required, compliance is often low due to complexity, lack of enforcement or uncertainty about valuation rules and filing formats.

These divergences generate a series of systemic risks and inefficiencies:

- **Regulatory arbitrage:** individuals and firms with mobile capital or operations can selectively locate their activities in jurisdictions with more favourable or ambiguous tax regimes. This undermines national tax bases and distorts competition, especially for start-ups and SMEs operating across borders.

- **Under-reporting or non-taxation:** in jurisdictions with weak reporting requirements or limited enforcement capacity, taxpayers may omit declaring crypto gains altogether, or transactions may escape taxation because they are not legally recognised as taxable events. This results in hidden liabilities, revenue losses and unequal treatment between compliant and non-compliant taxpayers.
- **Administrative fragmentation:** the lack of a shared definition of income categories, valuation methods or reporting standards hampers cross-border tax cooperation and mutual assistance. For example, a taxpayer in one Member State may receive crypto income from a platform in another where no reporting is required, making enforcement across borders extremely difficult.
- **Increased compliance burdens:** taxpayers engaging in cross-border transactions must navigate inconsistent legal interpretations, fulfil multiple reporting obligations and bear legal uncertainty around tax treatment. This not only raises administrative costs but may discourage legitimate economic activity due to risk aversion or non-compliance fears.
- **Policy lag:** while MiCA and the DAC8 framework are poised to introduce harmonised rules for transparency and information exchange, their implementation timelines and national transpositions vary. Until these frameworks are fully operational, and even thereafter, discrepancies in tax interpretation will likely persist unless further coordination is pursued on the substantive tax treatment of cryptoassets.

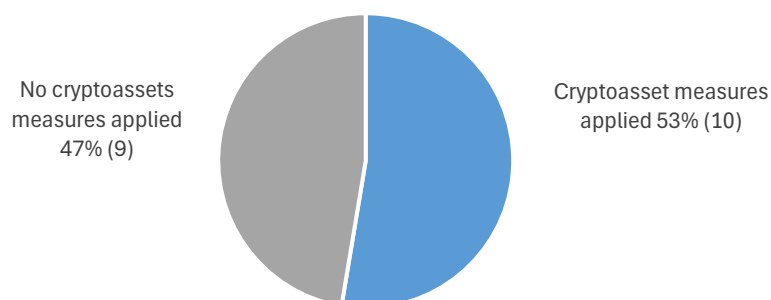
3.4. Stakeholder survey responses

Here we synthesise inputs from national tax authorities and ministries on the taxation of cryptoassets, covering measures introduced in recent years, forthcoming legislative steps, prevailing definitions and reporting obligations.

Recent measures

Over the past 5 years, a significant number of EU countries have introduced measures in the area of cryptocurrency taxation (see Figure 4). More than half of respondents (53 %) reported implementing initiatives aimed at improving administrative efficiency, revenue collection and fairness.

Figure 4 – Number of EU countries that have applied cryptoassets measures in the last 5 years



Notes: Question asked: 'Over the past five years, has your country introduced any significant measures in this area that clearly improved revenue collection, administrative efficiency, fairness, or simplicity?'.
Number of responses = 19.

Source: Authors' elaboration based on stakeholders' survey responses.

Several jurisdictions opted to clarify the tax treatment and declaration of cryptoassets, for instance by reforming income tax laws (Bulgaria, Croatia, Germany, Slovakia), in line with OECD recommendations. Others went further. In Finland, the Tax Administration launched multiple initiatives, including: i) group requests to foreign cryptoassets service providers to obtain information for tax supervision, ii) sending SMS reminders to taxpayers to declare cryptoassets, and iii) publishing press releases to raise awareness and encourage compliance.

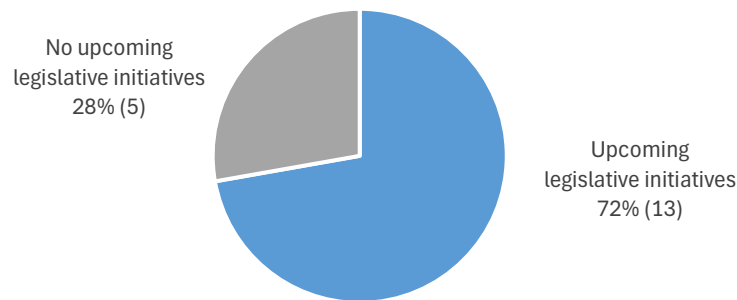
Other countries have also introduced targeted reforms. As part of its eco-social tax reform, Austria extended the scope of capital income to include cryptocurrencies from 1 March 2022. In Portugal, cryptoassets were explicitly integrated into the Personal Income Tax Code from 2023. Spain adopted new reporting requirements for individuals and businesses dealing with virtual currencies, which entered into effect in 2024. Lithuania has passed legislation requiring cryptoassets service providers to collect and report user information annually from January 2026.

Upcoming initiatives

Looking ahead, most surveyed stakeholders expect additional legislative initiatives on cryptoassets across Member States (see Figure 5). For the vast majority, these relate to the adoption and implementation of DAC8 (Austria, Finland, Greece, Portugal, Slovakia, Spain, Sweden). Stakeholders anticipate that DAC8 will strengthen cooperation by introducing a new system of automatic exchange of information reported by CASPs at EU level (Austria, Czechia, Latvia, Portugal, Slovakia). This should enhance transparency and provide tax authorities with improved access to relevant data.

Beyond DAC8, several other national initiatives are underway. Poland is preparing a Cryptoassets Market Act, which will introduce a legal definition of virtual currency in both personal income tax (PIT) and corporate income tax (CIT) legislation. Bulgaria adopted a new law on cryptoassets markets in July 2025. Spain is examining a proposal to regulate explicitly the seizure of cryptoassets in tax recovery procedures. In Latvia, authorities are drafting the framework to implement the [OECD's CARF](#).

Figure 5 – Number of EU countries with upcoming legislative initiatives on cryptoassets



Notes: Question asked: 'Are there any upcoming legislative initiatives in your country related to digital or crypto taxation?'. Number of responses = 18.

Source: Authors' elaboration based on stakeholders' survey responses.

Definitions

Definitions of cryptoassets remain divergent across the EU. Some respondents indicated that their national legislation still lacks a clear, legal definition (Belgium, Finland, Lithuania, Romania, Spain), while others have established one. For example, under [Austria's Income Tax Act](#), cryptocurrency is defined as '*a digital representation of a value that has not been determined or guaranteed by a central bank or other state body, is not necessarily tied to a statutory currency, and that does not hold the legal status of a currency or of money, but that is accepted by natural persons or legal entities as a means of exchange and can be transferred, stored or traded by electronic means.*' [Portugal's 2023 State Budget](#) similarly defines a cryptoassets as '*any digital representation of value or rights that can be transferred or stored electronically using distributed ledger technology or any similar technology.*'

Reporting obligations

Several Member States have also introduced reporting requirements for cryptoassets holdings. In Spain, a [new obligation](#) introduced in 2023 (first reporting year 2024) requires residents, as well as permanent establishments of foreign entities providing custody, exchange or ICO services, to report year-end balances and transaction details. Taxpayers holding cryptoassets abroad must also disclose them to the Spanish tax authority.

Portugal requires individuals and businesses to report income or gains from cryptoassets for both personal and corporate income tax purposes. Comparable obligations exist in Austria and Finland, where proceeds from cryptoassets must be declared for income taxation.

In Portugal, individuals and businesses are legally obliged to report on the income or gains resulted from the holding of cryptoassets on PIT and CIT, respectively. Similar reporting practices are found in Austria and Finland, where proceeds from cryptoassets must be declared for income taxation purposes.

Finally, the OECD has recommended aligning national frameworks with the CARF by adopting the standardised CARF XML schema not only for international exchanges but also for domestic reporting. Such alignment would ensure technical consistency across jurisdictions, streamline data

transmission, and reduce compliance costs for CASPs while simplifying enforcement for tax authorities.

4. Digitalisation of tax administration

Key findings

- Digitalisation has advanced across the EU, shaping compliance, enforcement capacity and cross-border cooperation. However, adoption remains uneven.
- General e-government strength correlates with tax-administration digital capacity: countries high on the E-Government Development Index (EGDI) also score well on our composite index based on the International Survey on Revenue Administration (ISORA).
- E-filing is near-universal for VAT and CIT but varies for PIT; several countries still show relatively low PIT e-filing uptake.
- Pre-filled returns are now standard for PIT in most Member States but remain rare for CIT and VAT (fully implemented in only a handful of countries).
- Real-time reporting and e-invoicing are expanding, led by early adopters; the VAT in the Digital Age (ViDA) is poised to accelerate convergence, yet implementation breadth still differs widely.
- Advanced tools (e.g. data analytics, APIs, digital ID, virtual assistants) are spreading. AI use is growing and has delivered measurable revenue gains where deployed.
- Divergent capabilities create compliance costs for cross-border firms and contribute to revenue asymmetries, with under-digitalised administrations facing higher tax gaps.
- Stakeholder survey evidence confirms a broad push toward pre-filing, e-filing and online services, alongside gradual improvements in monitoring and evaluation of digital reforms.

The increasing complexity of global economic activity and the growing mobility of taxpayers and capital have placed tax administrations under mounting pressure to modernise their operations. Digitalisation is not merely a matter of efficiency; it is an essential tool for improving tax compliance, enhancing transparency and ensuring fair and equitable revenue collection.

Across the EU, Member States have embarked on the digital transformation of their tax administrations at varying speeds and depths. Some have integrated sophisticated data analytics and real-time reporting into their systems, while others continue to grapple with fragmented legacy platforms and manual processes. These divergent levels of digital maturity have significant implications for both national tax performance and the coherence of EU-wide tax cooperation.

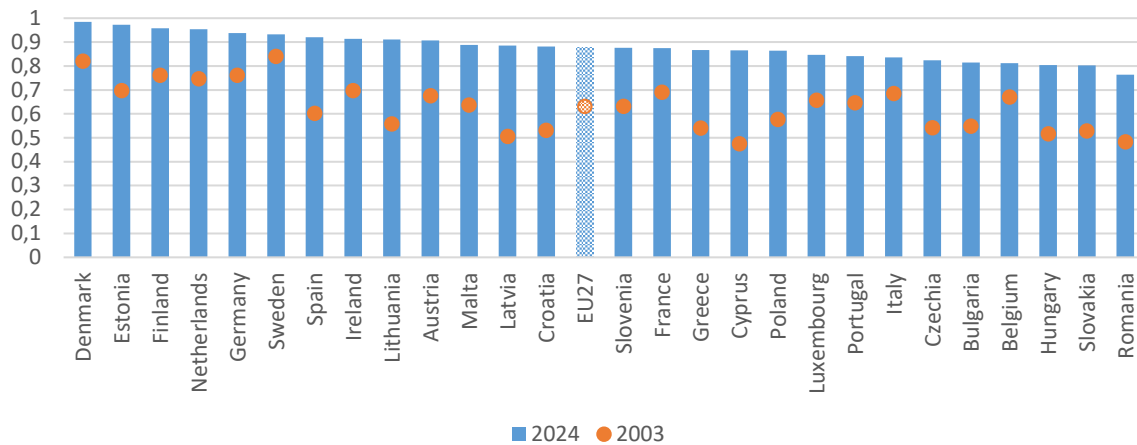
This chapter maps the state of play across the EU, combining international benchmarks (the [International Survey on Revenue Administration](#) (ISORA), the United Nations [e-Government Development Index](#) (EGDI)) with our own composite indicators to compare digital capacity. It then drills into core practices (e-filing, pre-filing, real-time reporting/e-invoicing), emerging technologies and remaining gaps, illustrated through contrasting national case studies. Finally, it analyses stakeholder survey evidence to assess recent reforms, uptake, and monitoring, setting up the implications for coordination and policy options discussed later in the study.

4.1. Scope and current landscape

For the purposes of this chapter, digitalisation of tax administration refers to the end-to-end use of digital tools and data along the compliance lifecycle, including taxpayer identification and registration, e-filing and e-payment, third-party reporting and pre-filled returns, real-time reporting/e-invoicing, analytics-based risk management and audit, taxpayer services (portals, APIs, chatbots) and cross-border data exchange (e.g. DAC/CRS). Back-office IT changes are considered only insofar as they enable these capabilities or materially affect taxpayer interaction, compliance costs or enforcement.

Across the EU, progress has been substantial but uneven. For instance, most tax administrations now offer near-universal e-filing, though the range and quality of services available to taxpayers, particularly in relation to completing and filing tax returns, still vary widely. Such persistent gaps in interoperability across tax administrations can be observed also in the quality of the data used and the administrations' analytical capacity, which in turn, may affect taxpayer experience, enforcement efficiency, and cross-border coordination within the single market. Currently, there is no specific, comprehensive index that effectively measures the extent of digitalisation in tax administration. This lack of a unified metric hinders the ability to accurately assess and compare the digital transformation of tax systems across different countries. However, indices such as the survey-based EGD, which captures the state of e-government development in general, provide an indication of the digitalisation of government functions and supporting infrastructure (see Figure 6). In 2003, gaps were visible between countries such as Denmark, Estonia and Finland, on the one hand, and countries like Romania, Slovakia, Hungary and Bulgaria, on the other. By 2024, these gaps have narrowed considerably, with most Member States moving closer to the EU leaders. Still, differences remain. Countries such as the Netherlands, Germany and Ireland continue to invest in digital capacity, while other countries have made progress but remain below the EU average.

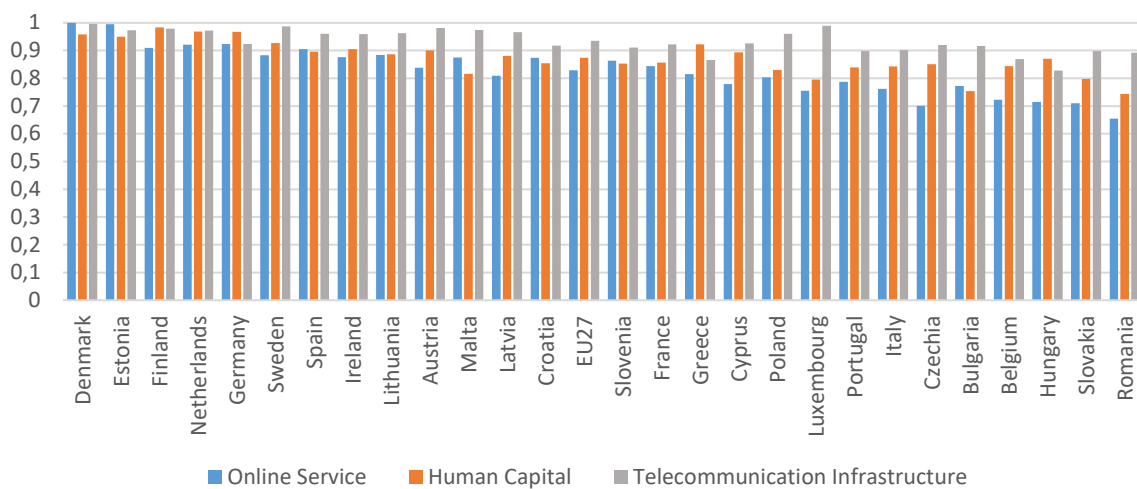
Figure 6 – E-Government Development Index (2003 vs 2024)



Notes: The index reflects countries' relative ratings rather than an absolute measure that can be interpreted consistently over time. The index ranges from 0 to 1 with a higher score indicating stronger performance in relative terms compared to peers, rather than an absolute benchmark of digitalisation. For Cyprus, the 2024 value corresponds to the most recent data available, which is from 2002.
Source: Authors' elaboration based on EGDl.

EDGI is composed of three sub-indices, namely: provision of online services, telecommunication connectivity (TII) and human capacity (see Figure 7). Telecommunications infrastructure scores are uniformly high across the EU, reflecting the success of EU-wide broadband deployment and 5G rollout policies. By contrast, the human capital index shows much greater divergence. Countries like Denmark, Estonia, Finland and the Netherlands has higher e-government platform development, while others, still face lower adoption rate of digital services and may need further support.

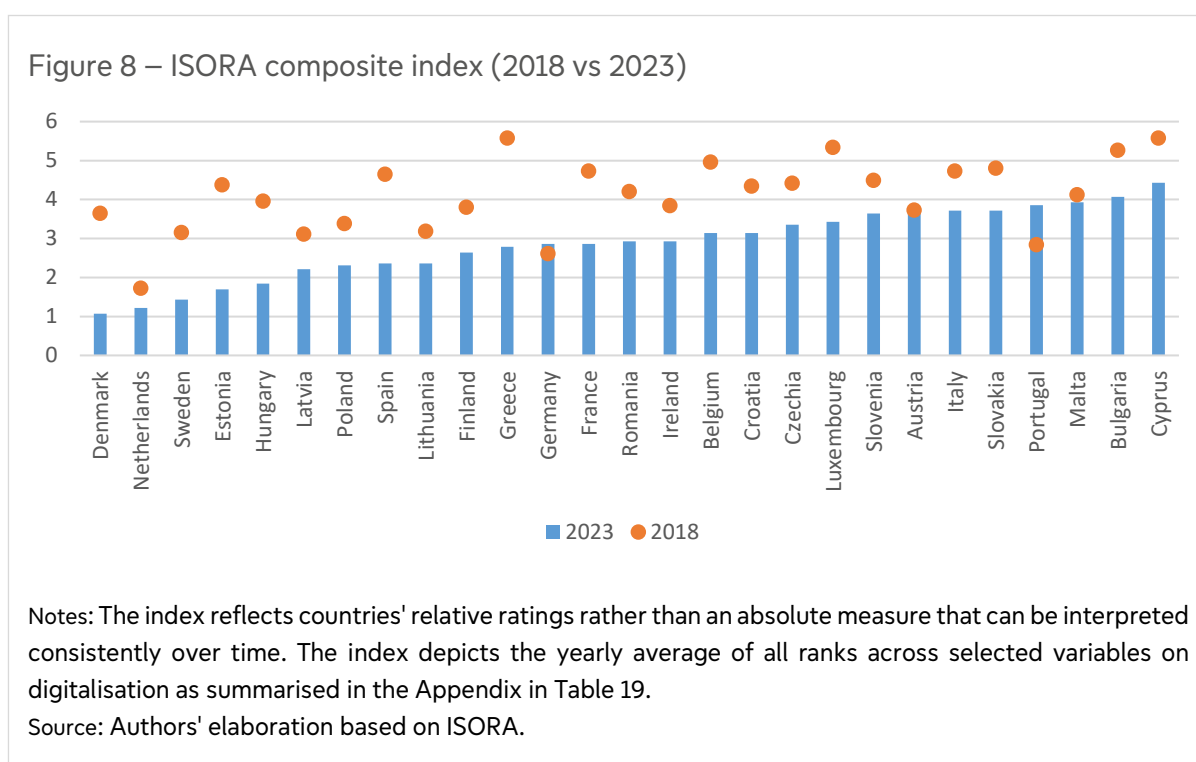
Figure 7 – Three dimensions of the E-Government Development Index (2024)



Note: For Cyprus, the 2024 value corresponds to the most recent data available, which is from 2002.
Source: Authors' elaboration based on EGDl.

Another important data source is ISORA, which collects detailed information on the institutional arrangements, practices and performance of tax administrations across countries. While its primary focus lies in revenue collection and administrative efficiency, ISORA also includes a wide range of variables directly linked to digitalisation. These cover, for instance, the availability and uptake of online filing and payment systems, the use of digital taxpayer services, and the degree of automation in core processes such as audits, risk management and case handling. In this way, ISORA provides valuable insights into how digital technologies are being integrated into tax administration and how practices vary across jurisdictions.

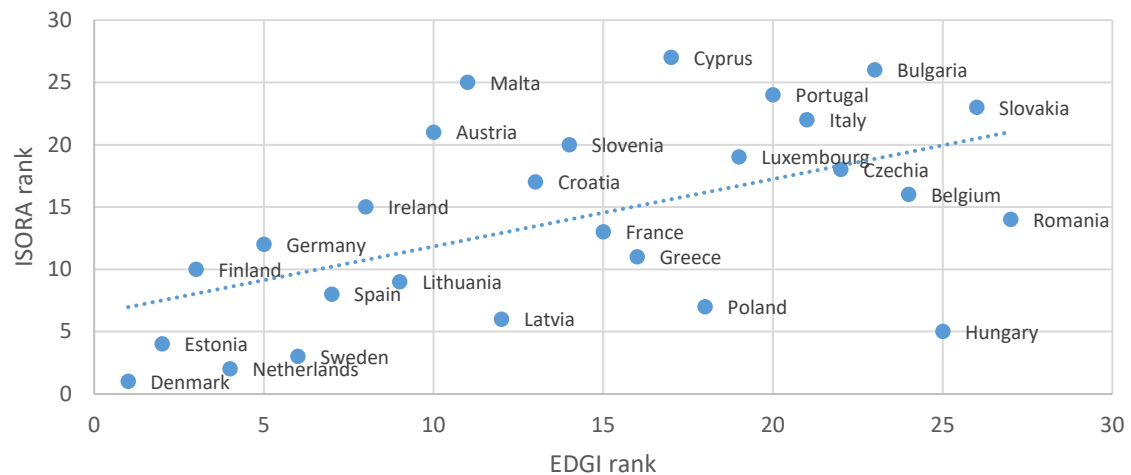
To generate a comparative picture for the EU, we construct a cumulative ranking of selected digitalisation-related variables from ISORA (see Annex 1 – Table 19). For each year and variable, countries are ranked relative to their EU peers, and we calculate an unweighted average of these rankings per country-year. This approach reflects the relative position of each Member State within the EU in a given year, rather than capturing absolute progress over time. It therefore provides a snapshot of digital capacities compared to other EU administrations, rather than a trend in digitalisation per se. A lower index indicates a stronger relative performance.



Over just a 5-year period, between 2018 and 2023, considerable reshuffling in the rankings can be observed (see Figure 8). Denmark has advanced from a mid-field ranking in 2018 to become the best performer in 2023, reflecting major investments in digitalisation and the strong adoption of e-administration tools. By contrast, Germany has slipped from second place in 2018 to the lower mid-field in 2023, suggesting relative stagnation compared to faster-moving peers. Meanwhile, Member States such as Cyprus, Bulgaria and Malta continue to occupy the lower end of the distribution, pointing to persistent challenges in digital adoption within their tax administrations.

To examine whether stronger e-government development is associated with more advanced digitalisation of tax administration, we compare Member States' rankings on the EDGI and our ISORA-based measure – where a lower rank indicates better performance (see Figure 9). The distribution reveals a clear positive relationship: countries that perform well in e-government also tend to have more digitally advanced tax administrations. This suggests that broader investments in digital governance spill over into tax systems, enabling more effective use of technology in compliance and administration.⁴⁶

Figure 9 – Comparison between EDGI and ISORA rankings



Note: The graph compares the country ranking based on the E-Government Development Index (x-axis) and the country ranking based on the ISORA composite index (y-axis). Countries with the same value are appointed equal ranks.

Source: Authors' elaboration based on EDGI and ISORA.

4.2. Core design and practices

At the same time, aggregate indices like EDGI and ISORA can only provide a broad snapshot and risk obscuring important details. To understand the heterogeneity across Member States, it is necessary to unpack these indices and examine the building blocks of digitalisation – such as the availability of e-filing, pre-filled returns, real-time reporting systems and the integration of emerging technologies. Looking at these components in more detail allows us to identify where progress has been fastest, where gaps remain, and what lessons can be drawn for countries still catching up.

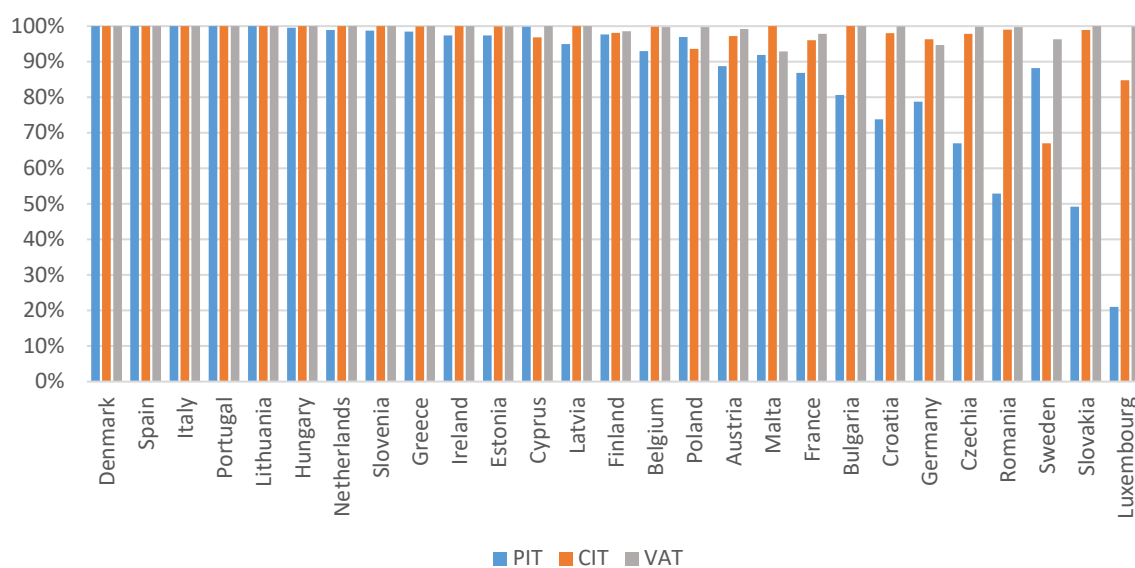
At a minimum, nearly all EU Member States have introduced electronic filing systems for personal income tax (PIT), corporate income tax (CIT) and VAT returns (see Figure 10). Adoption rates are, however, uneven across countries and types of tax. In countries such as Denmark, Spain, Italy and Portugal, electronic filing is nearly universal across all three types of returns, reflecting full

⁴⁶ A simple regression analysis across the full dataset, controlling for year fixed effects, confirms this association and shows it to be statistically significant at the 1% level. In other words, countries with a higher-level digital government more generally are also those leading the way in digitalising tax administration.

integration of digital processes into tax administration. Other Member States, including Lithuania, the Netherlands, Slovenia and Greece, also record close to complete e-filing coverage across PIT, CIT and VAT.

By contrast, significant variation persists in a subset of Member States. In Czechia, Romania and Slovakia, for instance, the share of electronically submitted PIT returns remains well below the EU average, even though VAT and CIT e-filing are broadly implemented. Luxembourg stands out with very low PIT e-filing penetration compared to other EU countries, highlighting structural or administrative barriers to digital adoption in personal taxation.

Figure 10 – Share of e-filing for PIT, CIT and VAT returns (% , 2023)



Source: Authors' elaboration based on ISORA.

Pre-filled tax returns are becoming an increasingly common feature across EU Member States, particularly in the area of PIT. In this model, tax administrations use data reported by third parties – such as employers, banks or other institutions – often transmitted through real-time reporting or e-invoicing systems, to automatically prepare draft tax declarations. Taxpayers then need only to review, confirm or amend the pre-entered information. This significantly reduces the compliance burden, speeds up the filing process and helps minimise reporting errors.⁴⁷ The efficiency gains could be substantial: in Spain, for instance, savings from pre-filing VAT returns using real-time reporting have been estimated at around €23 million annually, while in Portugal, the use of the Standard Audit File for Tax (SAF-T)⁴⁸ standard has generated savings of approximately €33 million.⁴⁹

⁴⁷ European Commission, [Annual Report on Taxation 2025 – Review of taxation policies in EU Member States](#), Publications Office of the European Union, DG TAXUD, European Commission, 2025.

⁴⁸ An international standard originally developed by the OECD to facilitate the exchange of reliable accounting and tax data between businesses and tax authorities. Its aim is to make audits and reporting more efficient, consistent and less burdensome.

⁴⁹ See, European Commission, 2022a.

Adoption of pre-filling practices, however, varies considerably across types of taxes and across Member States (see Table 6). For PIT, pre-filling has become standard in most EU countries, reflecting both the relatively structured nature of employment-related data and the strong potential for administrative simplification. By contrast, pre-filled returns for CIT and VAT remain rare. As of 2023, only four countries (i.e. Denmark, Estonia, Portugal and Spain) had introduced pre-filled CIT returns, while Greece, Italy, Portugal and Spain were the only Member States to offer fully pre-filled VAT returns.

Table 6 – Pre-filling of PIT, CIT and VAT returns (2023)

| Country | Pre-filling returns | | |
|-------------|---------------------|-----|-----|
| | PIT | CIT | VAT |
| Austria | Yes | No | No |
| Belgium | Yes | No | No |
| Bulgaria | Yes | No | No |
| Croatia | No | No | No |
| Cyprus | Yes | No | No |
| Czechia | No | No | No |
| Denmark | Yes | Yes | No |
| Estonia | Yes | Yes | No |
| Finland | Yes | No | No |
| France | Yes | No | No |
| Germany | Yes | No | No |
| Greece | Yes | No | Yes |
| Hungary | Yes | No | No |
| Ireland | Yes | No | No |
| Italy | Yes | No | Yes |
| Latvia | Yes | No | No |
| Lithuania | Yes | No | No |
| Luxembourg | No | No | No |
| Malta | Yes | No | No |
| Netherlands | Yes | No | No |
| Poland | Yes | No | No |
| Portugal | Yes | Yes | Yes |
| Romania | No | No | No |
| Slovakia | No | No | No |
| Slovenia | Yes | No | No |
| Spain | Yes | Yes | Yes |
| Sweden | Yes | No | No |

Source: Authors' elaboration based on ISORA.

The implementation of digital reporting requirements across EU Member States differs both in the frequency with which transactions must be reported to tax authorities and in the reporting

modality.⁵⁰ One of the most significant frontiers in digital tax administration is the adoption of real-time reporting and e-invoicing systems, with some countries moving considerably ahead of others.

Under real-time reporting, taxpayers are obliged to transmit transaction data immediately after the transaction has taken place, enabling near-instant oversight by tax authorities. This does not necessarily require e-invoicing but often complements it. Spain, for instance, introduced the [Suministro Inmediato de Información](#) in 2017, initially applying mandatory requirements to businesses above specific size thresholds.⁵¹ Hungary rolled out its [Real-time Information Reporting](#) system in 2016, which applies to all registered companies. More recently, Greece launched the [myDATA](#) digital platform in 2020, requiring businesses to keep accounting records and report income and expenses in real time. Croatia has also announced the launch of its [Fiscalization 2.0](#) project, scheduled to start in January 2026, which will mandate mandatory e-invoicing for all domestic business-to-business (B2B) and business-to-government (B2G) transactions.

Other countries have opted for a different approach by implementing the SAF-T, which facilitates automated checks, supports pre-filling of returns and reduces the administrative burden of audits. Poland, Portugal and Romania have introduced mandatory SAF-T reporting, typically on a monthly or quarterly basis. By contrast, countries such as Austria, Denmark, France and Luxembourg apply an on-demand SAF-T model, where businesses are only required to submit files if specifically requested by the tax authority.

A further step in digitalisation is the adoption of e-invoicing mandates. Italy has introduced a comprehensive system: since 2019, it has required mandatory e-invoicing not only for B2G transactions, but also for B2B and business-to-consumer (B2C) transactions through the centralised [Sistema di Interscambio \(SDI\)](#) platform. The system enables invoices to be checked and stored by the Revenue Agency and provides the basis for pre-filled VAT returns. Similar initiatives exist in Portugal, Greece, Portugal and Spain. Yet in many Member States, including Germany, Malta and Sweden, VAT reporting continues to rely heavily on manual declarations and ex-post audits, limiting the potential for real-time compliance monitoring.

By 2023, 19 Member States had e-invoicing mandates in place for B2G transactions, but far fewer had extended these obligations to B2B or B2C transactions (see Table 7). The situation is expected to change with the adoption of the [VAT in the Digital Age \(ViDA\)](#) package in March 2025, which allows Member States to introduce mandatory e-invoicing for cross-border B2B transactions under certain conditions. This marks an important step toward harmonisation and may accelerate convergence in reporting practices across the EU.

⁵⁰ See, European Commission, 2022a.

⁵¹ Applicable to large companies with annual turnover above €6 million, business group subject to VAT and companies that are part of the monthly tax refund system, called 'REDEME'.

Table 7 – E-invoicing mandate (status in September 2025)

| Country | E-invoicing | | |
|-------------|------------------------|------------------------|-----|
| | B2B | B2G | B2C |
| Austria | No | Partial ⁽¹⁾ | No |
| Belgium | Yes | Yes | No |
| Bulgaria | No | No | No |
| Croatia | No | Yes | No |
| Cyprus | No | No | No |
| Czechia | No | No | No |
| Denmark | No | Yes | No |
| Estonia | Yes | Yes | No |
| Finland | Partial ⁽²⁾ | Yes | No |
| France | Yes | Yes | No |
| Germany | No | Yes | No |
| Greece | No | Yes | No |
| Hungary | No | No | No |
| Ireland | No | No | No |
| Italy | Yes | Yes | Yes |
| Latvia | No | Yes | No |
| Lithuania | No | Yes | No |
| Luxembourg | No | Yes | No |
| Malta | No | No | No |
| Netherlands | No | Partial ⁽³⁾ | No |
| Poland | No | Yes | No |
| Portugal | No | Yes | No |
| Romania | Yes | Yes | Yes |
| Slovakia | No | Yes | No |
| Slovenia | No | Yes | No |
| Spain | No | Yes | No |
| Sweden | No | Yes | No |

Notes: 'Partial' e-invoicing mandate applies only to specific types of transactions and/or entities. ⁽¹⁾ In Austria, since 18 April 2020, all suppliers are required to submit structured electronic invoices to the central government. However, there does not exist a legal obligation for sub-central level entities to receive e-invoices. ⁽²⁾ Finland does not have a B2B electronic invoice mandate. However, under the e-Invoicing Act 241/2019, entities with €10 000 or more in annual turnover are entitled to request electronic invoices for their suppliers. ⁽³⁾ In the Netherlands, a partial B2G mandate requires all central government entities to receive and process electronic invoices. However, although there is no legal obligation for businesses to issue e-invoices, they are encouraged to.

Source: Authors' elaboration based European Commission [eInvoicing Country Factsheets](#).

4.2.1. Innovative technologies and remaining challenges

Beyond core practices such as e-filing and pre-filing, several Member States have begun to experiment with advanced digital tools that fundamentally reshape tax administration. The use of big data and analytics has been at the forefront, supporting more sophisticated audit targeting,

behavioural nudging and risk-based compliance. In countries like Denmark and Sweden, data-driven models are routinely used to flag high-risk taxpayers, drawing on integrated external sources such as banking and employment registries. In some cases, these tools incorporate machine learning algorithms to enhance predictive accuracy. Such practices remain limited, however, with only a handful of Member States operating at this frontier.

Interconnectivity is another area of growing importance, particularly in the context of EU-level information exchange mechanisms under DAC. While the infrastructure for cross-border data sharing exists, implementation is uneven. Countries with robust digital systems could reconcile inbound data with domestic taxpayer records and act on discrepancies in near real time. Others, by contrast, face significant barriers due to fragmented or outdated IT systems, which hampers the effective use of shared data.

More broadly, the past 5 years have seen a sharp increase in the adoption of innovative technologies aimed at strengthening compliance and revenue collection. Artificial intelligence (AI) and machine learning are developing rapidly, with notable results. In Austria, AI tools helped detect thousands of suspicious cases in 2023, increasing tax revenues by an estimated €185 million.⁵² Similarly, the deployment of machine learning models in Poland contributed to a reduction of its VAT gap to €1.7 billion in 2021.⁵³

ISORA data confirm that data analytics remains the most widely adopted digital innovation, followed closely by the use of APIs and whole-of-government identification systems (see Figure 11). These digital ID systems, now in place in a growing number of Member States, enable taxpayers to authenticate themselves and access multiple government services through a single login. Virtual assistants and chatbots are also becoming mainstream, improving taxpayer services and reducing administrative backlogs. Spain, for example, has launched a dedicated VAT virtual assistant alongside its broader 'INFORMA+' system for handling complex tax queries,⁵⁴ while the Swedish tax administration launched '[Skatti](#)' in 2019, the AI virtual co-worker, aimed at helping staff of the tax administration (not taxpayers).⁵⁵ By contrast, blockchain remains the least adopted innovation, with only Poland reporting use of the technology in its tax administration as of 2023.

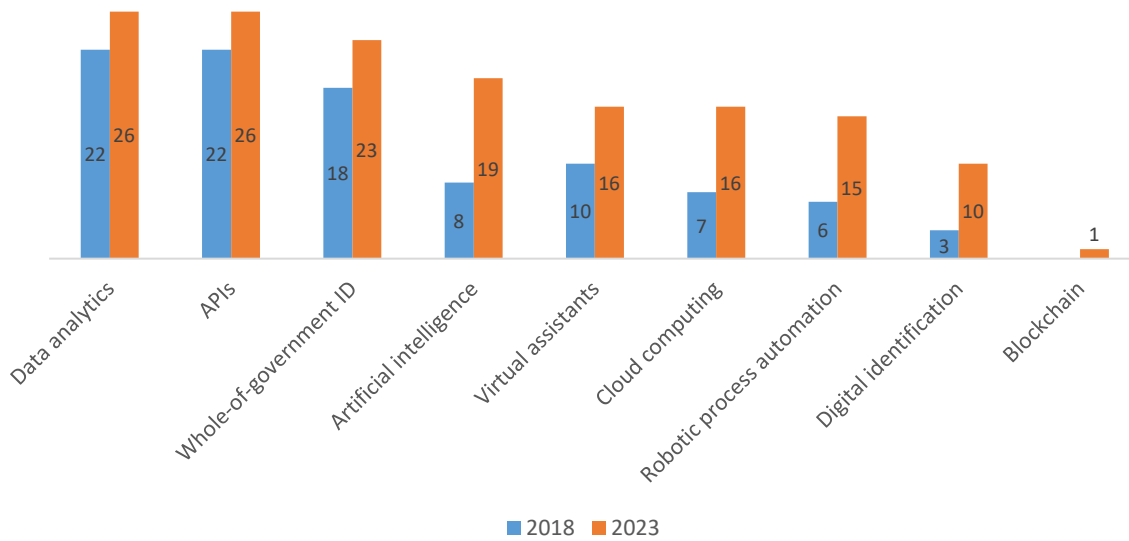
⁵² [Ministry of Finance generated around EUR 185 million in tax income from AI in 2023](#), BFM website, August 2024.

⁵³ [Poland's Innovative Approach to Combat VAT Fraud with Machine Learning](#), VAT Update website, March 2024.

⁵⁴ OECD, [Tax Administration 3.0: The Digital Transformation of Tax Administration](#), Organisation for Economic Co-operation and Development, OECD Publishing, 2020.

⁵⁵ IOTA, [Applying New Technologies and Digital Solutions in Tax Compliance](#), Intra-European Organisation of Tax Administrations, 2020.

Figure 11 – Number of Member States that have implemented innovative technologies (2018 vs 2023)



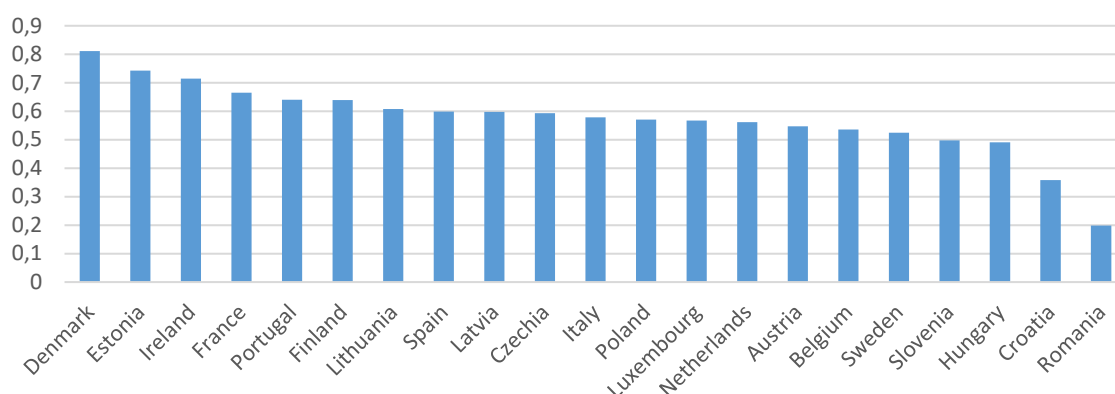
Source: Authors' elaboration based on ISORA.

Despite this progress, the diffusion of advanced technologies remains uneven across the EU. Some tax administrations have adopted digital technologies at a fast pace, aligned with broader e-government strategies, while others may need more help as they face persistent underinvestment, staff shortages and structural inertia (see Annex 1 – Table 20). This fragmentation constrains EU-level coordination and imposes compliance costs on cross-border businesses, which must navigate heterogeneous reporting systems. Addressing these gaps will require not only sustained national reforms, but also EU-level benchmarking, financial support and possibly the establishment of common standards to ensure interoperability and fairness across the single market.

Box 4 – Estonia: A model of digital tax administration

Estonia has long been recognised as a global leader in e-government and digital public services, and this reputation extends to its tax administration. With a score of 0.74 in the OECD Digital Government Index – the second highest among EU countries (after Denmark) and the sixth highest across the OECD – and the highest e-filing rate in the EU, Estonia offers a model of streamlined, user-centric tax services (see Figure 12). The Estonian Tax and Customs Board (ETCB) operates a fully integrated digital ecosystem where tax data is pre-filled using information from other government databases, allowing most declarations to be completed in under five minutes.

Figure 12 – OECD Digital Government Index (2023)



Notes: The index measures countries' ability to leverage data and technology for whole-of-government, human-centric digital transformation. It ranges from 0 (low/fragmented maturity) to 1 (highest maturity).

Source: Authors' elaboration based on OECD Digital Government Index.

Advanced analytics are used to detect anomalies and target audits, reducing compliance costs and improving revenue yield. The ETCB also maintains real-time data exchange systems with other public authorities, enabling cross-checks on employment, VAT and customs data. This integrated approach has led to high voluntary compliance rates and one of the lowest collection costs in the EU (0.38 % of GDP, compared to an EU average of 0.96 %).

Estonia's experience demonstrates the feasibility and benefits of full digitalisation, including increased transparency, reduced tax evasion and enhanced taxpayer trust. It also shows how early investment in digital infrastructure could yield long-term dividends in terms of efficiency and service quality.

4.3. Divergences and single-market impacts

The divergence in digital tax capabilities across Member States poses structural challenges for the EU's fiscal architecture. It hampers cross-border cooperation, entrenches revenue asymmetries and creates compliance burdens for firms operating across multiple jurisdictions. While some Member States have implemented fully digital tax ecosystems using real-time data exchange and advanced

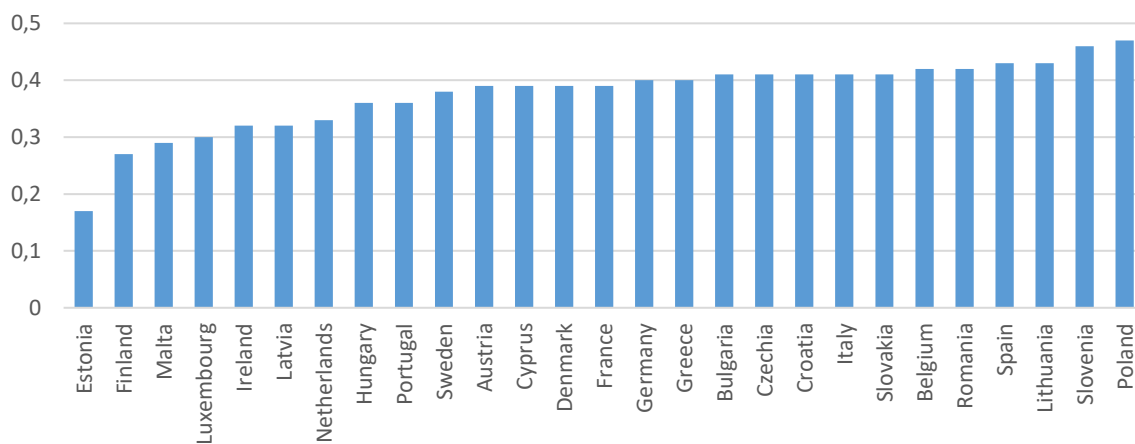
analytics, others still rely on fragmented or even paper-based systems. These gaps are not just technical – they reflect broader institutional, political and investment disparities.

The resulting fragmentation affects both taxpayers and tax authorities. Businesses must navigate different interfaces, reporting formats and levels of automation, increasing costs and legal uncertainty. At the same time, under-digitalised administrations are less able to detect under-reporting, enforce compliance or respond to cross-border information from EU frameworks like the DAC. This creates structural inefficiencies and undermines mutual trust.

As advanced technologies such as AI-driven auditing or blockchain-based VAT reporting become mainstream, the digital divide risks widening further. To avoid a two-speed system, the EU should promote convergence through minimum digitalisation benchmarks, shared interoperability standards and targeted funding for administrations needing support – ensuring that digital transformation strengthens both national capacity and EU-wide fiscal integration.

These disparities affect not only tax authorities but also the taxpayers. In Member States with relatively less complex tax systems, such as Estonia, Finland and Malta (see Figure 13), businesses and individuals benefit from simplified compliance procedures, faster refunds and greater legal certainty.⁵⁶ By contrast, in countries with higher levels of tax system complexity, including Poland, Slovenia and Lithuania, compliance tends to be more burdensome, unpredictable and prone to errors (Swiss Chamber Poland, 2020; Baert, 2024). This asymmetry creates a de facto segmentation of the single market, as firms operating across borders must adapt to multiple digital standards and reporting interfaces – raising costs and compliance risks.

Figure 13 – Tax complexity index (2024)



Notes: The Tax Complexity Index measures the complexity of corporate income tax systems for multinationals, covering both tax code and framework features. Scores range from 0 (not complex) to 1 (extremely complex), based on a global survey of local tax experts.

Source: Authors' elaboration based on data from [Tax Complexity](#).

⁵⁶ See, European Commission, 2024.

Moreover, the divergence in digital capabilities exacerbates inequalities in revenue collection. Countries with weak digital infrastructure are less able to detect under-reporting, enforce against tax evasion or efficiently manage taxpayer services. This leads to higher taxation gaps,⁵⁷ lower collection efficiency and, in some cases, a greater reliance on regressive tax instruments such as consumption taxes – which are easier to administer but place a disproportionate burden on lower-income households. Without targeted investment and coordination, these gaps risk widening over time, particularly as more advanced Member States adopt emerging innovations in compliance monitoring and reporting automation.

Addressing these divergent capabilities requires a multi-pronged strategy. There is a need to help Member States with systems needing support through technical assistance, capacity-building programmes and access to EU funding. At the same time, the EU could consider setting minimum digitalisation benchmarks for tax administrations, promoting interoperability standards and facilitating knowledge exchange between national authorities. In the long term, greater convergence in digital capabilities will be essential to strengthen tax governance, improve fairness and ensure the integrity of the EU's fiscal architecture in the digital age.

4.4. Stakeholder survey responses

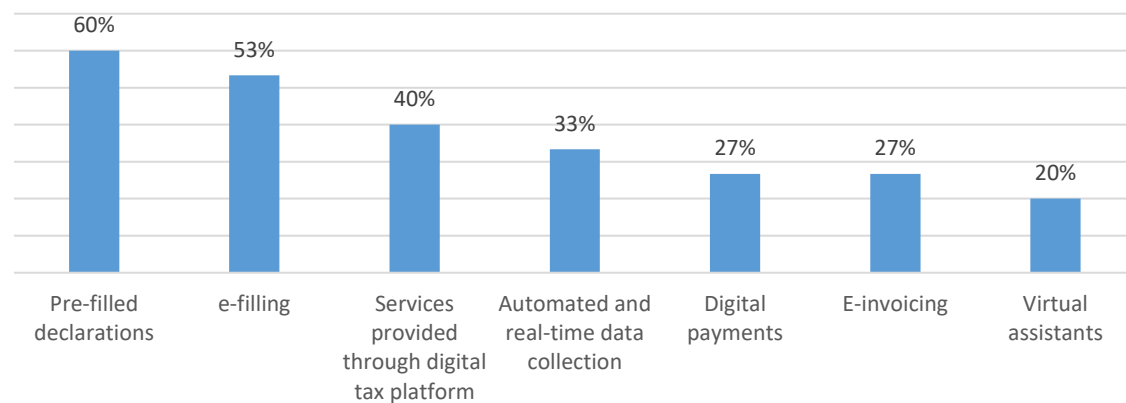
Survey responses from national administrations shed light on digitalisation efforts – submission pathways for returns, current e-filing coverage, and recent upgrades – providing a practical counterpoint to the preceding discussion.

Digitalisation measures

In recent years, most EU countries have taken steps to digitalise their tax systems, with 15 respondents reporting one or more measures (see Figure 14). The most common initiative was the introduction of pre-filled tax declarations, reported by 60 % of respondents, mainly in the field of income tax. Electronic filing of tax returns followed closely (53 %), while 40 % indicated that their administrations now offer a wide range of online services enabling taxpayers not only to submit returns, but also to request certificates, communicate with the administration and file applications. About one third highlighted the adoption of automated and real-time data systems.

⁵⁷ Taxation gaps refer to the difference between the tax revenue that should be collected under full compliance with the law and the amount actually collected, due to factors such as evasion, avoidance, fraud or administrative inefficiencies.

Figure 14 – Digital initiatives regarding taxation implemented in recent years in EU Member States



Notes: Question asked: 'Over the past five years, has your country introduced any significant measures for digitalisation of the tax system that clearly improved revenue collection, administrative efficiency, fairness, or simplicity?'. Number of responses = 15.

Source: Authors' elaboration based on stakeholders' survey responses.

Several concrete examples illustrate this process. In Finland, the [Positive Credit Register](#) now records individuals' income and loans in real time, complementing the income register and improving the accuracy of data available to authorities. Italy's telematic cash registers transmit daily sales data directly to the Revenue Agency, ensuring data integrity and strengthening risk analysis. Greece has introduced the MyDATA platform, requiring businesses to submit fiscal documents and invoices in real time for VAT purposes.

Digital payment tools have also been developed. Portugal's [Sit. Fiscal – Pagamentos](#) mobile app allows taxpayers to pay taxes and monitor payments or refunds and has been downloaded more than 500,000 times. Latvia operates a single-account system for fulfilling tax obligations digitally, while Slovakia's Financial Administration Portal, launched in 2023, offers online payment for 15 types of taxes. Mandatory e-invoicing has been adopted for certain transactions in Hungary, Italy, Romania and Latvia.

Some administrations are experimenting with AI. Estonia uses a chatbot on its tax portal, while Greece applies AI to detect issues and offer proactive solutions. In Portugal, the ATGo mobile app supports self-employed individuals in managing their tax obligations, while Croatia and Greece deploy analytical tools to improve risk-based inspections. Slovakia has also introduced QR codes on selected tax documents to simplify payments and reduce the risk of errors.

Monitoring and evaluation

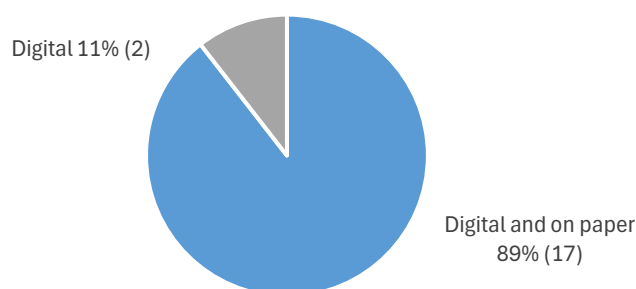
A number of administrations reported monitoring the effects of digitalisation. Croatia evaluates reforms using internal indicators such as VAT gap reduction, take-up of digital services, compliance rates and audit effectiveness, alongside external surveys and EU benchmarking exercises like the [Fiscal Blueprints](#) and the [Tax Administration Diagnostic Assessment Tool](#). Belgium reported efficiency gains in the back office, allowing resources to be reallocated. Slovakia tracks the number of electronic returns and QR-coded documents, publishing data on its open data portal and in annual

reports, while Bulgaria monitors the share of pre-filled returns among total submissions. In Estonia, user inquiries to the tax administration are used as a performance measure.

Submission of tax returns by individuals

Most Member States (80 %) require individuals to report income annually, although in some jurisdictions declarations are more frequent.⁵⁸ While most jurisdictions allow both paper and digital filing, electronic submission now dominates, with 89 % of respondents reporting higher digital uptake (see Figure 15). In Italy and Estonia, virtually all returns are filed electronically (99.9 % and 98 % respectively). Austria, Belgium, Sweden and Bulgaria also report digital shares above 85 %. Finland (77 %) and Czechia (60.2 %) show somewhat lower uptake, though Poland reported that 14.3 million PIT returns were filed electronically in 2024. Paper filing remains possible in certain cases, such as hardship exemptions in Germany, lack of digital access in Croatia or Greece, or specific categories of taxpayers. Latvia mandates use of its Electronic Declaration System (EDS), though non-users may still file on paper.

Figure 15 – Most frequently used tax filing methods by natural persons



Notes: Question asked: 'How are tax declarations currently submitted by individuals in your country?'. Number of responses = 19.

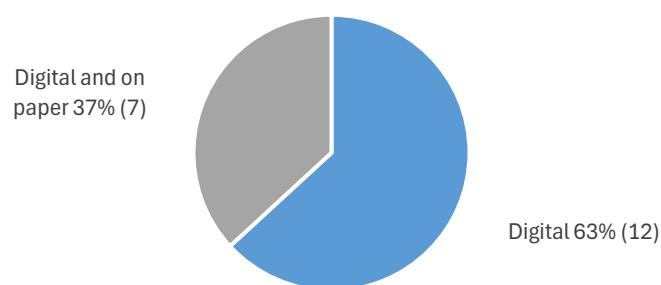
Source: Authors' elaboration based on stakeholders' survey responses.

Submission of tax returns by corporations

Corporate tax returns are even more digitalised than personal ones (see Figure 16). In Austria, although both formats are possible, 97.2 % of corporate income tax returns are submitted electronically. In Czechia and Finland, the proportion reaches 99.5 % and 90 % respectively, while in Sweden one third of returns are still filed on paper.

⁵⁸ Bulgaria obliges monthly or quarterly declarations for non-employment income such as rent or freelance work. Latvia requires quarterly declarations for capital gains above €1 000. Romania obliges monthly declarations for certain withholding such as salaries or intellectual property income.

Figure 16 – Most frequently used tax filing methods by corporations



Notes: Question asked: 'How are tax declarations currently submitted by corporations in your country?'. Number of responses = 19.

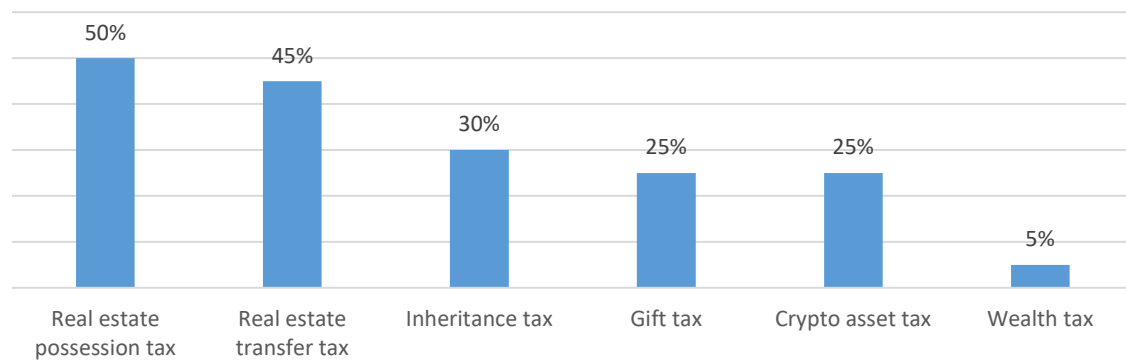
Source: Authors' elaboration based on stakeholders' survey responses.

Most corporate taxes are reported annually (58 % of respondents), although VAT is more frequently submitted monthly or quarterly depending on turnover or legal thresholds. For example, in Slovakia reporting frequency depends on turnover, in Greece on accounting records, and in Romania on thresholds related to intra-EU trade and turnover. In Finland and Estonia, VAT returns are generally monthly.

Digital coverage across taxes

E-filing is increasingly applied beyond PIT and CIT (see Figure 17). Half of respondents (50 %) indicated digital filing for real estate possession taxes (Belgium, Croatia, Czechia, Finland, Germany, Greece, Lithuania, Portugal, Slovenia, Sweden), and 45 % for real estate transfer taxes (Austria, Croatia, Estonia, Finland, Germany, Greece, Portugal, Slovenia, Sweden). Some countries also offer e-filing for inheritance and gift taxes (Croatia, Finland, Germany, Greece, Poland, Slovenia), and for cryptoassets-related taxes (Austria, Belgium, Estonia, Finland, Spain). In Spain, the range is particularly broad, covering wealth tax, transaction taxes, digital services tax, environmental taxes and non-resident income tax. Romania allows e-filing for all types of taxes, while Croatia and Estonia extend it to motor vehicle taxes.

Figure 17 – Types of taxes submitted digitally



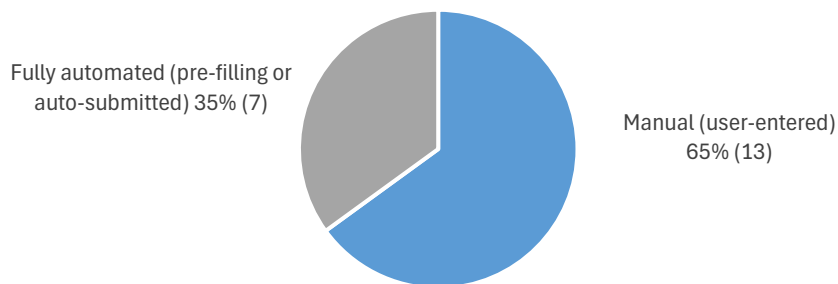
Notes: Question asked: 'Which of the following taxes are currently declared digitally?'. Number of responses = 20.

Source: Authors' elaboration based on stakeholders' survey responses.

Pre-filled tax returns

Pre-filling has become a central feature of digitalisation, though approaches differ (see Figure 18). In many Member States (Austria, Bulgaria, Croatia, Czechia, Estonia, Germany, Greece, Latvia, Lithuania, Romania, Slovakia, Slovenia, Sweden) the systems are partly manual, requiring taxpayers to enter or confirm significant portions of data. Other countries rely more heavily on third-party reporting. Spain integrates information from financial institutions and withholding systems (including CRS, DAC2 and FATCA) to pre-fill PIT returns, while Finland uses bank, insurance and investment data for the same purpose, and Greece pre-calculates the real estate possession.

Figure 18 – Type of declaration methods used in digital systems



Notes: Question asked: 'What is the dominant declaration method used in digital systems?'. Number of responses = 20.

Source: Authors' elaboration based on stakeholders' survey responses.

5. Tax compliance burdens

Key findings

- Compliance burdens are large and uneven, with disproportionate effects on SMEs, cross-border firms and mobile taxpayers.
- Time to comply varies sharply – ranging from fewer than 60 hours per year to well above 400 hours – alongside big differences in payment frequency and reporting calendars.
- Complexity stems as much from administrative frameworks (e.g. multiple filings, frequent changes, unclear guidance) as from tax codes. We find a strong positive relationship between complexity and time, with a 0.1-point rise in the Tax Complexity Index associated with around 34 additional hours per year.
- Digitalisation only reduces burdens when paired with simplification (e.g. single windows, 'once-only' data, standard taxonomies, APIs/eID). Partial digital fixes that leave duplicate processes in place may shift the workload rather than reduce it.
- EU progress is tangible but uneven: the ViDA (2025) reform streamlines VAT obligations and enables wider e-invoicing, yet adoption gaps persist (pre-filled CIT/VAT remain rare; real-time reporting/SAF-T and B2B/B2C e-invoicing are uneven).
- Cross-border activity carries a compliance penalty due to non-interoperable identifiers, forms and calendars. Firms operating across borders face compliance costs that are 67 % higher than those of purely domestic peers.
- Survey evidence shows that authorities recognise the main pain points (e.g. complex rules, interpretation challenges, extensive documentation) and report many digital initiatives, but legal/process simplification lags and approaches are not always aligned with the problems.
- Evaluation discipline is patchy. Fewer than half of administrations conduct systematic ex-post evaluations or use sunset/review clauses, limiting evidence on what actually reduces burdens and should be scaled.

Tax compliance burdens refer to the time, money and administrative effort taxpayers expend to meet legal obligations – in addition to the taxes themselves. They are important for growth and fairness because they divert resources from productive activity, shape location and formalisation decisions, and influence voluntary compliance. In an EU single market, similar activities should face comparable obstacles; when burdens differ, so do the incentives and outcomes.

Burden levels vary widely by taxpayer type and business model. SMEs, start-ups and firms operating across borders typically face higher per-euro costs due to limited in-house capacity and duplicated procedures across jurisdictions. For individuals – especially the self-employed, mobile professionals and platform workers – fragmented rules and uneven guidance increase the risk of error and the time spent on routine tasks.

What drives these burdens is not only what the tax code says but how administrations design processes and digital infrastructure. Reporting architecture (e.g. frequency, granularity, calendar alignment), process simplicity (e.g. single windows, common identifiers, standard data), depth of digitalisation (e.g. pre-filling, real-time reporting, e-invoicing), guidance and certainty (e.g. rulings, cooperative compliance), risk-based enforcement, and disciplined evaluation together determine whether compliance is streamlined or duplicative.

Against this backdrop, the chapter first defines and scopes compliance burdens and describes their incidence using time, cost and complexity indicators. It then examines the administrative design levers that raise or lower burdens, including recent EU initiatives and national practices. Next, it analyses cross-border frictions and single-market impacts stemming from divergent systems and digital maturity, and presents stakeholder evidence on reforms, monitoring and remaining pain points. Throughout, the focus is on practical coordination and simplification that deliver measurable reductions in time, cost and uncertainty – without requiring full tax-base harmonisation.

5.1. Scope and current landscape

The effort required by taxpayers to comply with national tax rules has become a critical – and increasingly burdensome – aspect of tax policy in the European Union.⁵⁹ Compliance burdens encompass not only the time and financial costs of fulfilling legal obligations but also the administrative complexity involved in navigating national systems. These burdens have tangible economic effects: they can distort business decisions, discourage entrepreneurship and deter cross-border activity, particularly for SMEs and mobile taxpayers. In an integrated single market, such costs undermine fairness, competitiveness and the efficient allocation of capital and labour.

Tax compliance burdens refer to the additional costs that taxpayers – whether individuals or businesses – incur in fulfilling their legal tax obligations. These costs are distinct from the taxes themselves and include the time, money and administrative effort required to interpret rules, keep records, prepare filings, interact with tax administrations and manage audits or disputes. Compliance costs typically fall into three categories:

- **Direct costs**, such as paying tax advisers, purchasing accounting software or engaging external service providers;
- **Indirect costs**, including internal staff time spent on compliance activities;
- **Opportunity costs**, such as reduced investment or innovation due to resources being diverted to administrative tasks.

These burdens are not evenly distributed across the EU. Member States vary significantly in the complexity of their tax procedures, the clarity of guidance issued by authorities and the extent to which digital tools are deployed to support compliance. While some national systems have embraced automation and simplification, others remain reliant on fragmented, manual or paper-based processes. For firms and individuals operating across borders, this divergence translates into duplicated effort, higher costs and legal uncertainty.

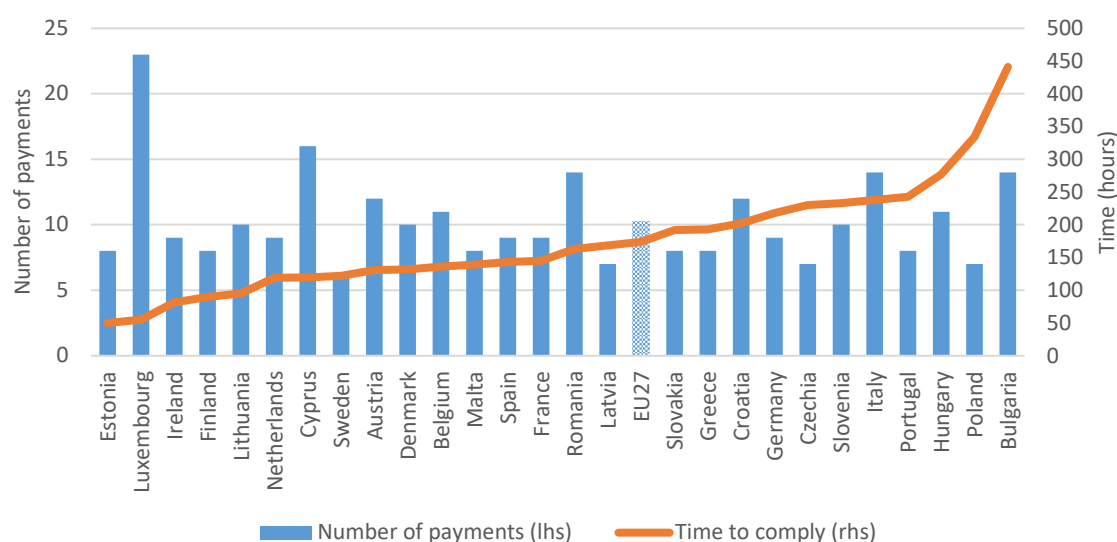
Despite growing awareness of compliance burdens, EU Member States continue to exhibit striking differences in the time, cost and complexity associated with fulfilling tax obligations. These disparities reflect not only divergent tax codes, but also the administrative infrastructure and the degree of digitalisation through which taxes are collected.

Time-based burdens vary considerably across the EU. According to the latest available Paying Taxes indicators from the World Bank's Doing Business dataset, the annual number of hours required for a

⁵⁹ D. D'Andria, and M. Heinemann, [Overview on the tax compliance costs faced by European enterprises – with a focus on SMEs](#), European Parliament, 2023; European Commission, 2024.

medium-sized firm to comply with tax obligations ranges from just 50 hours in Estonia to well above 400 hours in Bulgaria (see Figure 19). Other high-burden countries include Poland and Hungary, where firms must still devote more than 300 hours annually to preparing, filing and paying taxes. By contrast, Estonia, Luxembourg, Ireland and Finland report some of the lowest compliance times, reflecting more integrated reporting systems and stronger use of pre-filing and e-administration tools.

Figure 19 – Number of payments and time to comply (2018)



Notes: Payment refers to the number of payments (per year) necessary for a local medium-size company to pay all taxes. Time refers to the number of hours (per year) needed to prepare, file and pay value added or sales tax, profit tax, and labour taxes and contributions. Figures refer to the latest available observations for the calendar year 2018.

Source: Authors' elaboration based on [Paying Taxes 2020](#), World Bank/PwC (Doing Business database, discontinued).

Differences are also evident in the frequency of payments. Firms in Sweden, Latvia, Czechia and Poland face fewer than 10 tax payment transactions per year, thanks to consolidated filing systems. At the other extreme, Luxembourg requires 23 separate payments annually, while Bulgaria, Cyprus, Romania and Italy remain above the EU average.

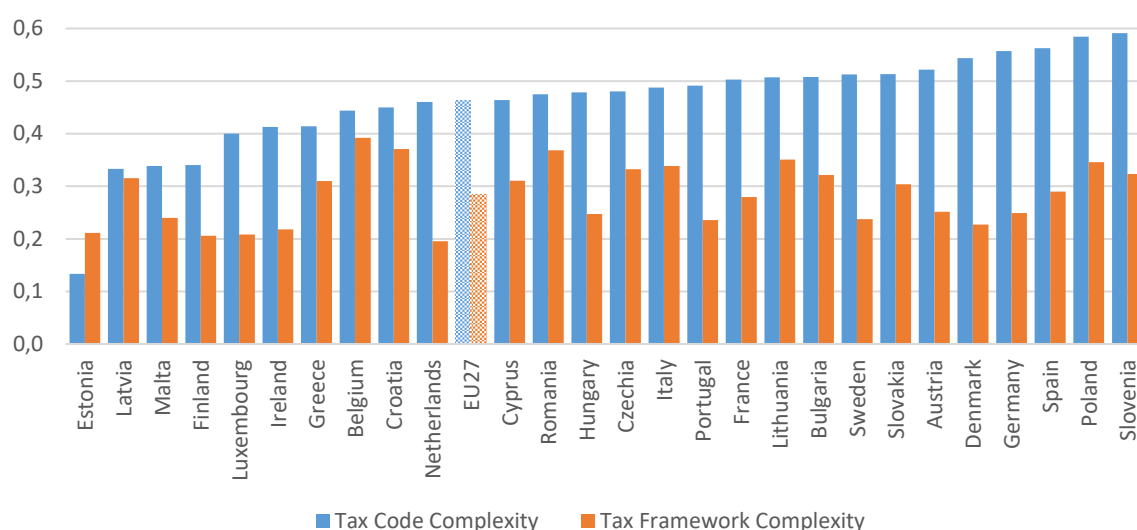
Monetary compliance costs also vary widely across the EU. A 2020 survey estimated that SMEs spend around 1.9% of annual turnover on meeting tax obligations, though the burden differs markedly by jurisdiction.⁶⁰ Costs are significantly higher in environments characterised by frequent rule changes, fragmented reporting requirements, ambiguous guidance or limited administrative support. In such contexts, firms are often compelled to rely heavily on external tax advisers or to dedicate substantial in-house resources to maintain compliance.

⁶⁰ VVA and KPMG, [Tax compliance costs for SMEs: An Update and A Complement - Final Report](#), European Commission, 2022.

The complexity of a tax system arises from two distinct but related sources: the tax code itself and the framework within which it is administered. Tax code complexity captures the difficulty of interpreting and applying substantive tax rules. It reflects the scope and intricacy of provisions related to issues such as transfer pricing, capital gains, depreciation rules, loss offset, group taxation, and the use of anti-avoidance rules. Tax framework complexity, by contrast, stems from the procedures and processes that taxpayers must navigate. This includes the clarity of guidance, the frequency of rule changes, the complexity of payment and filing obligations, as well as the conduct of audits and appeals. Both dimensions increase the time, resources and expertise required for compliance, thereby raising costs for taxpayers and heightening the risk of errors or disputes.

Across EU Member States, tax code and tax framework complexity show significant variation (see Figure 20). Member States such as Estonia, Malta and Luxembourg exhibit relatively simple tax codes and frameworks, resulting in lower overall complexity. By contrast, countries like Poland, Slovenia and Lithuania record the highest combined levels of complexity, driven by both intricate tax regulations and burdensome administrative procedures. Others, like Germany, France, Italy and Spain score above the EU average, underlining the challenges faced by taxpayers in these economies.

Figure 20 – Complexity of tax code and tax framework (2024)



Notes: Tax code refers to the complexity inherent in different tax regulations, while tax framework refers to the complexity arises from the features and processes of a tax system.

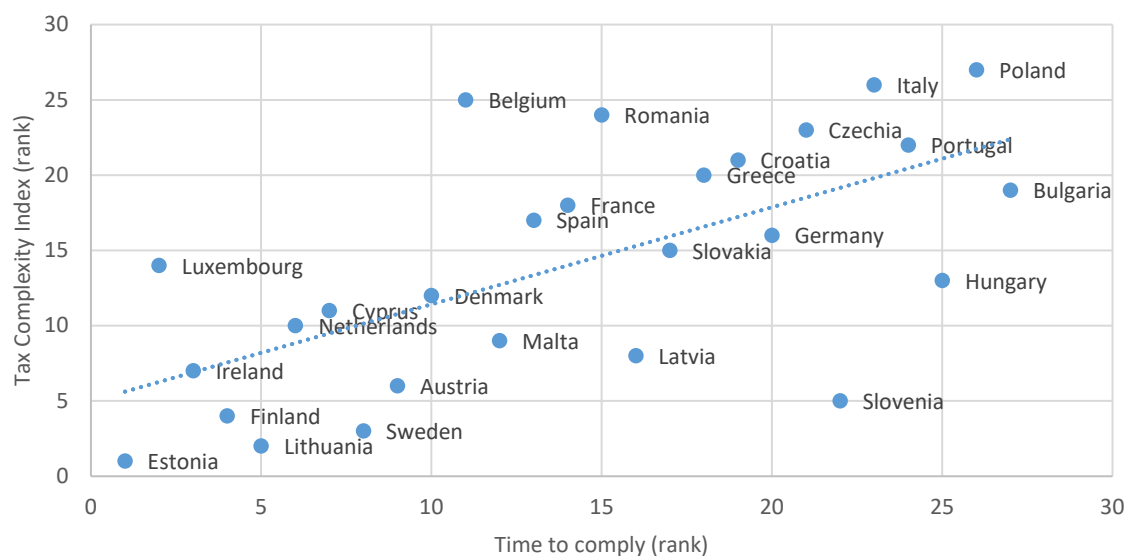
Source: Authors' elaboration based on data from [Tax Complexity](#). We thank Caren Sureth-Sloane, Deborah Schanz and their team for sharing data from their Global MNC Tax Complexity Project with us. For further information on the survey and index construction see Hoppe, Schanz, Sturm, Sureth-Sloane (2023): The Tax Complexity Index – A Survey-Based Country Measure on Tax Code and Framework Complexity, *European Accounting Review*, 32 (2): 239-273. DOI: 10.1080/09638180.2021.1951316

Although the relative weight of the two components differs across countries, the figure highlights that in many cases complexity stems as much from administrative procedures (e.g. frequent rule changes, multiple filing obligations, unclear guidance) as from the tax code itself. This suggests that

reforms targeting simplification of procedures and better digitalisation of reporting could substantially reduce compliance costs even in countries where the tax code remains intricate.

Although the Tax Complexity Index does not directly capture financial compliance costs, it offers an important proxy for understanding the burden placed on businesses. More complex systems typically require additional time, expertise and resources, raising overall compliance costs. The data show a clear positive relationship between tax system complexity and the time firms spend on meeting their obligations (see Figure 21). In 2020 – the most recent year with comparable data – countries with higher complexity scores also ranked consistently higher in terms of hours required to prepare, file and pay taxes. To further explore this relationship, we performed a regression analysis which indicates that, on average, a 0.1-point increase in the Tax Complexity Index corresponds to around 34 additional compliance hours per year.⁶¹

Figure 21 – Comparison between time to comply and tax complexity (2020)



Note: Figures refer to the most recent year for which data was available for both measures.

Source: Authors' elaboration based on data from [Tax Complexity](#) and [Paying Taxes 2020](#).

5.2. Core design and practices

The level of tax compliance burden experienced by taxpayers depends critically on how national tax administrations design and operate their systems. Even where the underlying tax code remains complex, a well-designed administrative framework can substantially reduce the time and effort required to comply.⁶² In contrast, fragmented or poorly coordinated processes tend to amplify

⁶¹ Regression estimated on the full panel with year fixed effects. The coefficient on the Tax Complexity Index is positive and statistically significant at the 1% level. For the EU-27 sample, the average Index value is 0.37 and the average compliance burden is 204 hours per year. While causality cannot be established given data limitations, the results indicate a strong association between lower complexity and fewer compliance hours.

⁶² See, Prichard et al., 2019.

complexity and increase costs. The core determinants of administrative efficiency can be grouped into six interrelated dimensions: reporting architecture, process simplicity, digitalisation, guidance, enforcement and governance.

The reporting architecture determines how often and in what form taxpayers must submit information. Key variables include the frequency and granularity of filings, the number and timing of payment events, and the degree of alignment across different tax types. Systems that consolidate returns or apply the 'once-only' principle (where data already submitted to one authority can be reused for another purpose) significantly reduce duplication and administrative friction. Equally important is the synchronisation of reporting calendars across different taxes, as asynchronous schedules can multiply compliance work, particularly for businesses with multiple reporting obligations.

Process simplicity also plays a central role.⁶³ Taxpayers benefit when administrations provide single-window portals that centralise filing and payment for multiple tax categories, coupled with consistent identifiers that allow records to be easily matched across systems.⁶⁴ The adoption of common data models and standardised taxonomies further reduces costs, as it allows accounting systems and administrative databases to interact automatically.⁶⁵ Where these standards are missing, firms often need to manually reformat information, re-enter data or maintain separate systems for each jurisdiction, all of which inflate compliance time.

The third dimension is the use of digital tools.⁶⁶ E-filing and e-payment systems are now standard across the EU, but their depth of integration varies widely. More advanced administrations have gone further, deploying pre-filled returns for PIT – and increasingly, for corporate tax and VAT – by using third-party data such as payroll or financial transactions. Real-time reporting and e-invoicing systems, along with standards such as the SAF-T, enable near-instant data validation and reduce the need for ex-post audits. Similarly, application programming interfaces (APIs) that connect taxpayers' accounting software directly with the tax administration allow seamless transmission of data and minimise manual input errors.

Beyond technology, guidance and certainty are decisive for reducing both the perceived and actual burden of compliance. Clear, plain-language instructions and decision-support tools (e.g. online calculators, interactive forms, pre-validation checks) help taxpayers interpret complex rules correctly.⁶⁷ For more sophisticated cases, advance rulings and cooperative compliance programmes give firms the assurance needed to plan transactions without fear of retrospective dispute.⁶⁸

⁶³ E. Cauble, '[Superficial Proxies for Simplicity in Tax Law](#)', *University of Richmond Law Review*, 2018.

⁶⁴ R. Junquera-Varela, C. Lucas-Mas, I. Krsul, V. Calderon, P. Arce, '[Digital Transformation of Tax and Customs Administrations](#)', *International Bank for Reconstruction and Development*, The World Bank, 2022.

⁶⁵ A recent illustration is the VAT in the Digital Age (ViDA) reform ([Council Directive \(EU\) 2025/516](#)), which streamlines VAT obligations across Member States and aims to minimise administrative burdens for businesses, thereby enhancing compliance.

⁶⁶ See, OECD, 2022b.

⁶⁷ J. Blank, and L. Osofsky, '[Simplicity: Plain Language and the Tax Law](#)', *Emory Law Journal*, 2017.

⁶⁸ See, European Parliament, Tax rulings and other measures similar in nature or effect, European Parliament resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect (2015/2066(INI)), 2015; Bronzewska (2016); Eberhartinger and Zieser, 2021.

Simplified regimes, safe harbours and de minimis thresholds can further reduce the burden on small taxpayers by exempting low-value or low-risk cases from detailed reporting.

Effective enforcement practices are equally important. The shift towards risk-based approaches, where data analytics identify high-risk cases and compliance nudges encourage voluntary disclosure, can improve efficiency without increasing taxpayer burden.⁶⁹ Modern administrations increasingly adopt behavioural insights to promote compliance through timely reminders, simplified messaging and digital engagement. Setting clear service-level commitments, such as deadlines for processing refunds or resolving queries, also reduces uncertainty and improves trust between taxpayers and authorities.

Finally, governance and evaluation mechanisms determine whether simplification and digitalisation efforts actually deliver results. Best practice involves conducting ex-ante burden assessments with dated baselines, publishing measurable targets and expected savings,⁷⁰ and following up with ex-post evaluations once reforms are implemented.⁷¹ Where measures are introduced as temporary relief, they should be accompanied by sunset clauses and re-entry dates to ensure that emergency or transitional measures do not become permanent sources of complexity.⁷² Transparent evaluation helps identify which reforms genuinely reduce burdens and which merely relocate them within the system.

When these elements operate together (e.g. single-window reporting, common data standards, pre-filled declarations, clear guidance backed by enforceable service standards), the time, cost and uncertainty of compliance decline sharply, even if the substantive tax rules remain unchanged. Conversely, digitalisation without simplification – for example, multiplying electronic portals or forms without eliminating redundant inputs – tends to shift rather than reduce the administrative burden. Effective simplification therefore requires not only investment in technology, but also coherent process design and disciplined evaluation to ensure that efficiency gains are real and durable.

5.3. Divergences and single-market impacts

The burden of compliance rises sharply once activity crosses borders. Firms operating in several Member States must adapt to different taxpayer identifiers, forms, e-invoicing models and reporting calendars. Because these systems rarely interoperate, businesses maintain parallel workflows and duplicate datasets, often supplementing with local advisers to interpret country-specific rules. The result is higher administrative cost, more frequent errors and a greater risk of late or inconsistent filings. Evidence for the penalty on cross-border activity is clear: businesses engaged in cross-border operations face tax compliance costs that are 67 % higher than those operating only

⁶⁹ See, OECD, 2004; Antinyan and Asatryan, 2020.

⁷⁰ C. Radaelli, C. Dunlop, and O. Fritsch, '[Narrating Impact Assessment in the European Union](#)', *European Political Science*, 2013.

⁷¹ C. Dunlop, and C. Radaelli, '[Impact Assessment in the European Union: Lessons from a Research Project](#)', *European Journal of Risk Regulation*, 2015.

⁷² See, J. Gersen, '[Temporary Legislation](#)', *University of Chicago Law Review*, 2007; I. Ayres, and K. Underhill, '[Sunsets Are for Suckers: An Experimental Test of Sunset Clauses](#)', *Harvard Journal on Legislation*, 2022.

domestically, and SMEs spend around 2.5 % of turnover on tax compliance compared with 0.7 % for larger firms.⁷³

Divergence does not only increase cost; it also generates legal uncertainty that can be exploited.⁷⁴ Inconsistent definitions, thresholds and documentation requirements create scope for regulatory arbitrage⁷⁵ and raise the probability of disputes. The same transaction can be treated differently across jurisdictions, producing either double taxation (when rules overlap) or non-taxation (when gaps misalign).⁷⁶ For integrated value chains, this unpredictability feeds conservative structuring and excess reliance on external advice, while for more mobile taxpayers it encourages strategic routing of activity through administrative 'soft spots', undermining horizontal equity between compliant firms that bear higher fixed costs and those that exploit loopholes.⁷⁷

A further channel is uneven enforcement capacity. Digitally advanced administrations validate data in near real time and target audits using analytics; others depend on ex-post checks and paper-based procedures.⁷⁸ As some Member States roll out pre-filing, real-time reporting and API connections while others fall behind, deterrence and detection become asymmetric. This weakens voluntary compliance where enforcement is perceived as patchy, and it amplifies competitive distortions when firms face materially different probabilities of audit and timelines for refunds across borders.⁷⁹

Taken together, these frictions operate as an implicit 'tax on cross-borderity' inside the single market. Full harmonisation of tax bases is not required to mitigate them. Targeted coordination could deliver large gains at relatively low political cost: mutual recognition of taxpayer identifiers and core registrations; minimum benchmarks for digital services (e-filing, e-payment and baseline pre-filing coverage); interoperable data standards and schemas for invoices, returns and audit files; greater alignment of reporting calendars; and 'audit-ready' digital records that are portable across jurisdictions. Such measures would reduce duplication and uncertainty, narrow the enforcement gap and improve the predictability that investment (especially SME investment) depends on.

The complexity and cost of tax compliance are best seen from two angles: the firm-level reality of cross-border operations and the system-level impact of national reform. Box 5 below follows a

⁷³ KPMG and GfK, [Study on tax compliance costs for SMEs – Final Report](#), European Commission, 2018.

⁷⁴ See, A. Maitrot de La Motte, 'Taxation of business in the EU: General issues', in C. Panayi, W. Haslehner, and E. Traversa, Chapter 9, [Research Handbook on European Union Taxation Law](#), Elgar, 2020; W. Haslehner, and K. Pantazatou, [Assessment of recent anti-tax avoidance and evasion measures \(ATAD & DAC 6\)](#), Study Requested by the FISC Subcommittee, European Parliament, 2022.

⁷⁵ L. Cerioni, [The European Union and Direct Taxation: A Solution for a Difficult Relationship](#), Routledge, 2015.

⁷⁶ See, A. Arfwidsson, [Hybrid Mismatches in International Transactions: A Study of Linking Rules in EU and Tax Treaty Law](#), IBFD Doctoral Series, International Bureau of Fiscal Documentation, 2024; E. Furuseh, and J. Li, [Improper Use of Tax Treaties and Source Taxation: Policy, Practice and Beyond](#), Osgoode Digital Commons, 2025.

⁷⁷ See, Hearson, M, Christensen, R, and Randriamanalina, T, '[Developing influence: the power of 'the rest' in global tax governance](#)', *Review of International Political Economy*, 2023.

⁷⁸ See, OECD, 2020.

⁷⁹ M. Nose, and A. Mengistu, [Exploring the Adoption of Selected Digital Technologies in Tax Administration: A Cross-Country Perspective](#), IMF Notes, International Monetary Fund, 2023.

medium-sized business operating across several Member States and the administrative fragmentation it faces.

Box 5 – A cross-border SME navigating fragmented systems

Consider a medium-sized technology firm headquartered in Belgium with operations in the Netherlands, Germany and Spain. Each jurisdiction requires separate VAT registration, distinct invoice formatting rules, different filing deadlines, and – in the case of Spain – use of a local e-invoicing platform. To comply, the firm might need to maintain separate tax books in each country, regularly monitor changes in reporting obligations and rely on local tax consultants for guidance

Taken together, these fragmented obligations could amount to several hundred hours of staff time each year, alongside significant outlays for external advisory support. For some SME, this may translate into tens of thousands of euro annually in compliance costs and external advisory fees.

The introduction of a standardised EU-wide digital reporting format, or mutual recognition of VAT registration and reporting, could reduce this burden significantly. A single EU tax portal or shared taxpayer identifier could eliminate duplicate processes and allow the firm to consolidate filings, reducing both administrative cost and error risk.

Box 6 shows how Austria's targeted digital reforms have lowered compliance burdens and improved administrative efficiency – illustrating what works when systems are simplified by design.

Box 6 – A national reform to reduce tax compliance

Austria provides a useful example of how targeted national reforms could significantly reduce compliance costs for taxpayers while improving administrative efficiency. In 2021, Austria expanded and upgraded its long-standing FinanzOnline platform, consolidating CIT, VAT and labour-related contributions into a more integrated digital interface. This replaced previously fragmented portals and paper-based processes, creating a one-stop shop for businesses.

A key innovation has been the introduction of pre-filled forms, drawing on data already reported by employers, banks and social insurance agencies. Combined with pre-filled forms and advanced validation tools, Austria's digital system now processes the vast majority of corporate and VAT filings electronically – covering almost all SMEs – and increasingly integrates AI-based risk detection. This has reduced both the time needed to complete returns and the likelihood of errors.

Austria's approach reflects a broader European trend towards digital simplification. Pre-filling and real-time reporting are increasingly promoted by the European Commission as means of reducing compliance costs and closing tax gaps. As we saw above, Austria consistently ranks among the countries with the lowest compliance time in the EU, averaging about 131 hours per year compared to an EU average of over 170 hours.

These reforms also enhance tax certainty and reduce disputes. By automating large parts of the process and enabling proactive error detection, Austria has improved voluntary compliance and

strengthened taxpayer trust.⁸⁰ The case illustrates how well-designed digital reforms at national level could yield measurable results in lowering costs, reducing risks of non-compliance and creating a more business-friendly environment.

5.4. Stakeholder survey responses

The survey evidence details how administrations perceive and address compliance costs – what drives reporting burdens, which relief measures are in place, and how far evaluation has tested their effectiveness.

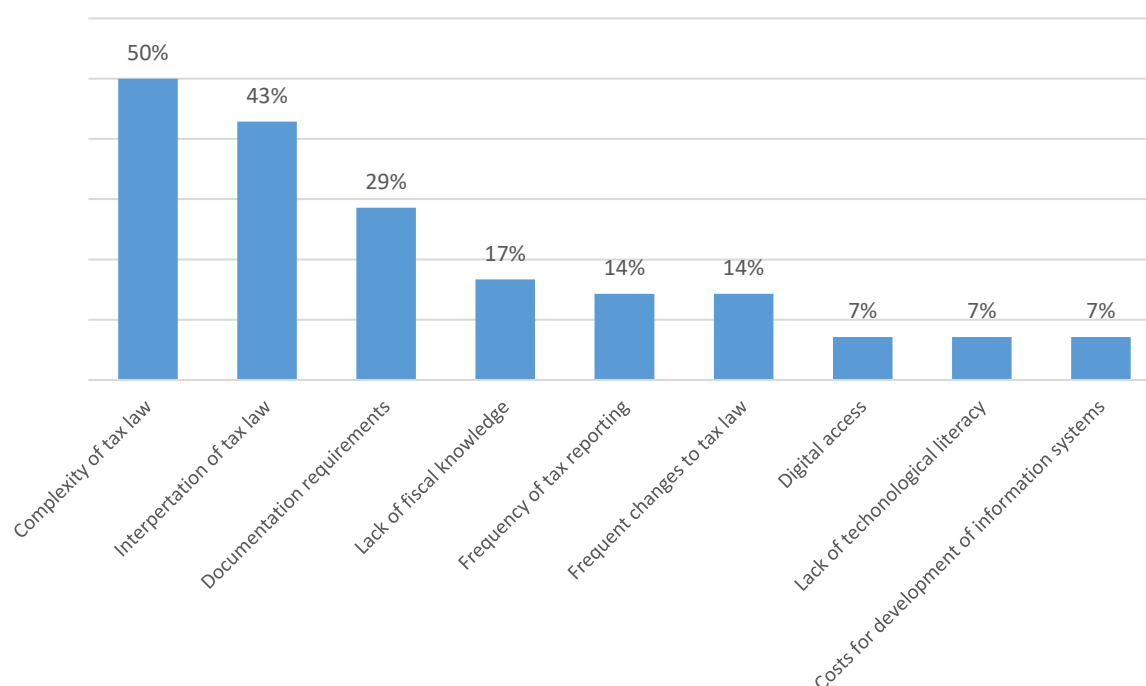
Awareness of tax reporting burden

Authorities across Member States are aware of the challenges faced by taxpayers when complying with reporting obligations. Half of the stakeholders indicated that they conduct surveys to identify the main complexities of tax reporting. Approaches vary: some tax administrations carry out these surveys themselves, others outsource them for impartiality, and some rely on feedback drawn from the way taxpayers interact with online support services. In most cases, the data collected is made publicly available.

When asked about the main drivers of reporting costs, most respondents pointed to the complexity of tax law (50 %) and difficulties in its interpretation (43 %) (see Figure 22). Additional cost factors included extensive documentation requirements, frequent reporting obligations and regular legislative updates. A minority also highlighted burdens linked to information system development, limited digital access, and insufficient technological literacy among taxpayers.

⁸⁰ K. Gangl, E. Hofmann, B. Hartl, and M. Berkics, '[The impact of powerful authorities and trustful taxpayers: evidence for the extended slippery slope framework from Austria, Finland, and Hungary](#)', *Policy Studies*, 2019.

Figure 22 – Main drivers of tax compliance costs



Notes: Question asked: 'In your experience, what are the main drivers of tax compliance costs in your country (e.g. frequency of reporting, documentation requirements, digital access, interpretation of laws)? Please explain' Number of responses = 14.

Source: Authors' elaboration based on stakeholders' survey responses.

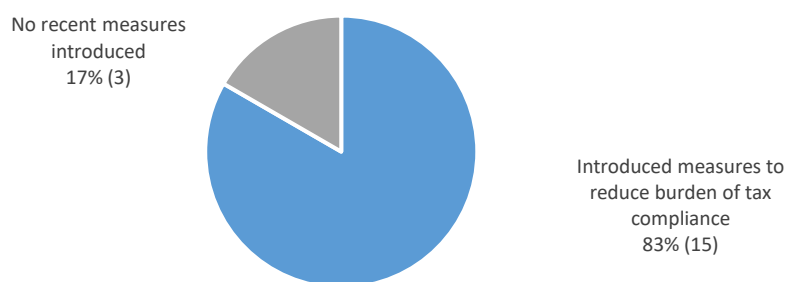
Authorities were also asked which areas of the tax system are in greatest need of simplification. Responses varied but often referred to individuals, SMEs and multinational corporations, with SMEs highlighted most consistently as facing disproportionate burdens. Some country-specific priorities also emerged: Finnish authorities pointed to the complexity of inheritance tax, while Bulgarian authorities stressed the challenges of taxing multinationals.

Measures to reduce the reporting burden

A large majority of respondents (83 %) reported implementing measures in recent years to ease the tax reporting burden for individuals and businesses (see Figure 23). While the focus of reforms differed, with some countries targeting businesses and other consumers, common priorities emerged.

Slovakia and Slovenia emphasised simplification of documentation, with Slovenia allowing certain documents to be retrieved directly from official records rather than requiring manual completion. Austria, Belgium and Czechia focused on personal income taxation: in Austria the issue was the requirement to complete a single comprehensive tax form, in Belgium the complexity of reporting procedures, and in Czechia the large number of provisions in the income tax system.

Figure 23 – Share of Member States that have introduced new measures to reduce the tax reporting burden in the last 5 years

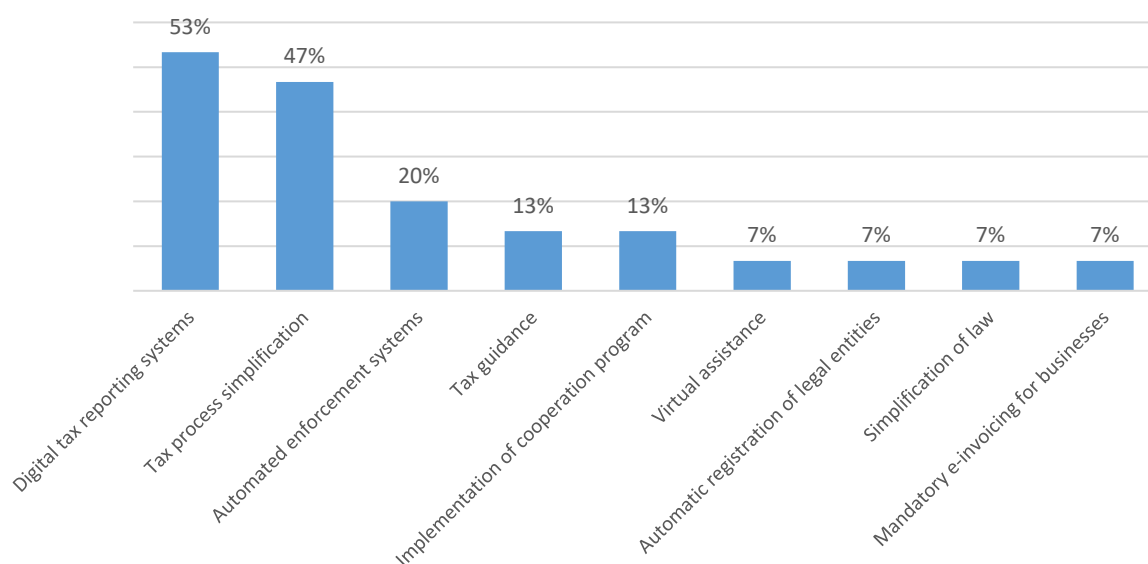


Notes: Question asked: 'Over the past 5 years, has your country introduced any significant measures to reduce the tax compliance burden (for business and/or individual taxpayers) that clearly improved administrative efficiency, fairness, simplification, or reduced compliance costs?'. Number of responses = 18.

Source: Authors' elaboration based on stakeholders' survey responses.

Based on survey responses, nine categories of burden-reducing measures can be identified (see Figure 24). The most frequent were digitalisation initiatives: over half of the Member States (53 %) reporting measures in the last 5 years had invested in digital tools. Croatia, for instance, has fully digitalised reporting, moving away from paper filings. Finland has introduced real-time reporting systems for SMEs through a single database. Italy launched a pilot project in which VAT registers and returns are pre-filled using receipts and telematic transaction data.

Figure 24 – Measures implemented by Member States to reduce the tax reporting burden in the last 5 years



Notes: Question asked: 'Please describe the measure and its impact'. Number of responses = 15.
Source: Authors' elaboration based on stakeholders' survey responses.

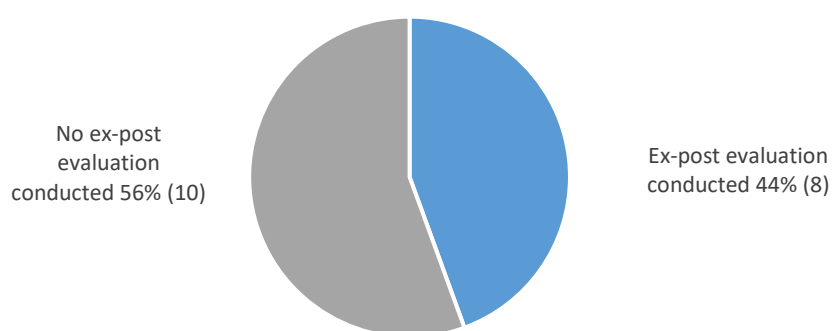
Simplification of processes was the second most common approach, reported by 47% of stakeholders surveyed. About one fifth of respondents reported implementing automated enforcement systems. Examples include Latvia's automatic notifications of outstanding debts, Lithuania's automatic alerts for unsubmitted declarations, and Slovakia's automatic registration of legal entities and entrepreneurs based on public registry data. Other approaches included providing additional tax guidance (13% of respondents), introducing cooperation programmes with taxpayers (such as partial pre-filing of returns), mandatory e-invoicing, and broader simplification of tax legislation. The simplification of tax law performed in Germany targets a reduction in bureaucracy through the Fourth Bureaucracy Relief Act IV (Bürokratieentlastungsgesetz IV, [BEG IV](#)) and the Growth Opportunities Act ([Wachstumschancengesetz](#)).

Evaluation of simplification measures

Ex-post evaluations play a key role in assessing whether reforms deliver on their objectives. Forty-four percent of respondents indicated that they conduct such evaluations (see Figure 25). Approaches differ across jurisdictions. Finland conducts metadata analyses, available on request. Germany applies a structured process in which ex-post evaluations take place 2 years after reforms, based on earlier ex-ante assessments. Latvia relies on macro-data such as voluntary compliance rates, clarification requests and VAT refunds.

Other Member States employ more targeted methods. Belgium and Finland have run randomised control trials to measure impacts. Croatia requires implementation programmes to be tracked through annual reports and financial plans, while Spain publishes regular evaluations of its initiatives. Czechia conducts surveys and monitors selected indicators, while German authorities also carry out ex-ante assessments of expected changes. Lithuania and Portugal monitor outcomes indirectly, tracking indicators such as unsubmitted declarations, staff workload, or the number of pre-filled and automated returns.

Figure 25 – Share of Member States that have conducted ex-post evaluations to understand the effects of implementing simplification measures



Notes: Question asked: 'Have you conducted any ex-post evaluation or assessment on measures to reduce the tax burden?'. Number of respondents = 18.

Source: Authors' elaboration based on stakeholders' survey responses

Alignment between problems and solutions

Survey responses suggest that while authorities are aware of the key drivers of compliance burdens – complex tax law, difficulties in interpretation, extensive documentation – the measures introduced are not always fully aligned with these challenges. Digitalisation has been the most common response, streamlining procedures and facilitating communication. While this does not directly address the complexity of tax legislation, digital tools could nonetheless help taxpayers interpret rules more easily, reduce errors and lower the threshold for successful compliance. They also enable support features such as Q&As, chatbots and automated guidance, which could mitigate some of the difficulties reported by taxpayers.

6. The cost of non-Europe

Key findings

Wealth taxation

- Coordinated taxation of high-net-worth individuals could yield substantial – but uneven – fiscal gains across Member States. Revenue potential is shaped by how wealth is concentrated, how it is held (real estate vs financial assets), and how effectively it can be enforced and collected.
- Applying existing national real estate tax rates to real estate wealth held by individuals with more than €1 billion in real estate wealth would generate around €12.9 billion EU-wide under current rates. If Member States whose effective rates are below the EU average were to raise them up to that average (convergence to the EU mean¹), the total would rise to roughly €15.2 billion (+18 %). These estimates assume full compliance: assets are accurately declared and cannot be shifted or concealed.
- In an illustrative and rather maximalist hypothetical scenario, extending this approach to real estate wealth held by individuals with more than €1 million could raise the estimated yield to about €127.8 billion under current nominal rates and €151.3 billion under the same 'convergence to the EU mean' assumption. For a number of Member States with currently narrow property tax bases this would imply a very significant increase relative to their recent property tax collections.
- An illustrative harmonised net wealth tax of 1 % on net wealth above €1 billion (with Spain retaining its higher rate) could raise on the order of €20 billion per year under uniform compliance assumptions. Revenues are highly sensitive to enforcement: when we allow for capital flight and differences in administrative capacity (proxied by relative VAT compliance gaps), some Member States retain most of the base while others lose a notable share. By 2035, under steady wealth growth, this tax could reach roughly €30–35 billion, but weaker enforcement can erode 15–27 % of potential revenue in certain jurisdictions.

Cryptoassets taxation

- Under current national tax regimes and assuming full compliance, taxing realised crypto gains in 2024 would yield an estimated €4.7 billion across the EU-27. By 2035 this could rise to roughly €10.3 billion under a low Bitcoin price path or exceed €120 billion under a high-price scenario. This shows both the fiscal relevance of cryptoassets and the high volatility of the base.
- Harmonising the taxation of crypto gains – and aligning it with DAC8/CARF-style third-party reporting – would limit cross-border arbitrage and increase effective compliance. Without such coordination, Member States applying low or zero taxation, or with weak enforcement, collect little or nothing even when activity is high.
- Compliance heterogeneity matters. When we replace 'perfect compliance' with country-specific effective compliance rates (proxied by relative VAT compliance gaps), estimated revenues shift toward Member States with stronger tax administrations and away from those with weaker ones. This underlines the need for common minimum standards, automatic reporting and joint audit/enforcement tools if crypto taxation is to deliver stable revenue.

Digitalisation of tax administration

- Digital tools such as mandatory e-invoicing, real-time reporting, pre-filled returns, APIs, digital ID and data analytics/AI can strengthen enforcement, reduce evasion (including VAT fraud), and lower

compliance costs. Evidence from recent national reforms in EU Member States shows measurable gains in declared turnover, detected fraud and administrative efficiency.

- Adoption, however, is uneven. Some administrations already operate near real-time systems with automated cross-checking and risk scoring, while others still rely on manual or paper-based processes. This asymmetry sustains differences in enforcement effectiveness and taxpayer experience, and weakens the functioning of the single market.

Burden of tax compliance

- Fragmented procedures, inconsistent guidance and frequent rule changes impose significant and unequal compliance costs. These burdens fall most heavily on SMEs and on firms operating across borders and are part of the broader 'cost of non-Europe', as they hinder seamless activity within the single market.
- Well-designed simplification – centralised portals, pre-filled returns, e-invoicing, one-stop filing and clearer communication – can materially reduce compliance costs and improve reporting behaviour. Digitalisation is an enabler, but accuracy and usability matter: if systems are poorly designed or data are pre-filled incorrectly, compliance can deteriorate rather than improve.
- Fewer than half of Member States systematically evaluate (ex ante and ex post) whether simplification or digital reforms actually reduce burdens. This weakens the feedback loop for scaling what works.

The cost of non-Europe in taxation refers to the economic and fiscal losses arising from fragmented national rules and the absence of common EU-level standards. Divergences across Member States generate lost revenues, higher compliance costs, unequal treatment of taxpayers and persistent distortions within the single market. These gaps also weaken enforcement, create opportunities for arbitrage and undermine the fairness and efficiency of national tax systems.

This chapter explores how greater coordination and convergence could mitigate these losses and strengthen the integrity of EU tax policy. It begins with wealth taxation, examining revenue potential and the effects of different design choices. It then considers the taxation of cryptoassets, assessing current approaches and enforcement challenges in light of rapid market growth. The discussion turns next to the role of digitalisation in tax administration, highlighting how modernisation could reduce evasion and improve collection efficiency. Finally, it assesses the scope for simplifying tax procedures and reducing compliance burdens, showing how such measures could complement substantive harmonisation.

6.1. Benefits of policy options that aim at more tax harmonisation – Wealth taxation

Wealth inequality has been a growing focus of policymakers, and taxing high-net-worth individuals could generate substantial fiscal resources while addressing disparities in wealth distribution. Quantifying potential revenue from a more coordinated approach to net wealth taxation in the EU requires estimating the total wealth held by high-net-worth individuals in each Member State. Using a range of data sources and modelling approaches, this analysis estimates the tax revenue that could

be raised from taxing wealth above specific thresholds (€1 million and €1 billion)⁸¹ under varying assumptions of compliance, tax rates and enforcement capacity. The study also projects the impact of wealth taxation by 2035, leveraging country-specific trends in wealth accumulation. The results suggest that wealth taxation could generate meaningful revenue, but the extent of this potential varies significantly across countries due to differences in wealth composition and enforcement capacity.

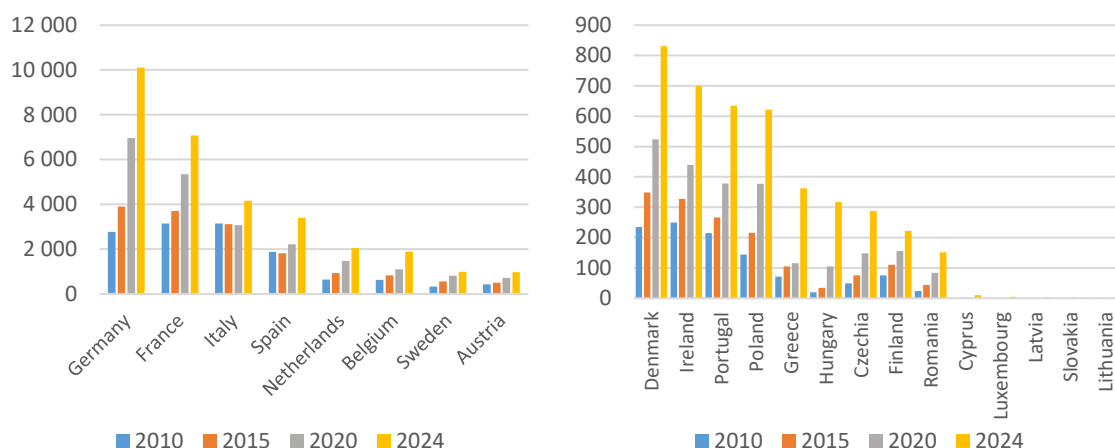
To model revenues under the current fragmented landscape, we estimate country-specific wealth levels relying on two data sources: the World Inequality Database (WID) and the Forbes Billionaire List. We additionally derive data on the average asset composition across wealth levels from the Global Wealth Report Databook. These datasets were harmonised and extrapolated to create a consistent wealth distribution profile for EU Member States, covering the period from 2010 to 2024, with linear projections to 2035.⁸²

When considering individuals with wealth above €1 million, a broad distribution emerges across Member States (see Figure 26). The concentration is highest in the population-strong economies, but mid-sized countries also register significant totals. Germany and France stand out with the largest aggregate millionaire wealth, followed by Italy and Spain. The Netherlands, Belgium and Sweden also record sizeable amounts, reflecting their relatively high household wealth levels and financial sector depth. Among other Member States, countries such as Denmark, Ireland, Portugal and Poland show a marked increase in aggregate millionaire wealth between 2010 and 2024, with growth particularly steep in Ireland and Denmark. By contrast, countries like Latvia, Lithuania and Slovakia show only marginal changes, highlighting more limited wealth accumulation at this threshold. Data limitations prevent us from deriving estimates for some EU Member States (Bulgaria, Croatia, Estonia, Lithuania, Malta, Slovenia).

⁸¹ The €1 billion threshold follows Zucman's proposal for a billionaire wealth tax (Zucman, 2024). The €1 million threshold is used as a proxy for Spain's current €700 000 exemption in the state wealth tax. Because our microdata is grouped in brackets up to either €500 000 or €1 million, we cannot model the €700 000 cut-off directly and therefore adopt €1 million as the closest feasible threshold.

⁸² A more detailed description of the data generation process is provided in Annex 3.

Figure 26 – Aggregate wealth above €1 million across Member States (€ billion)

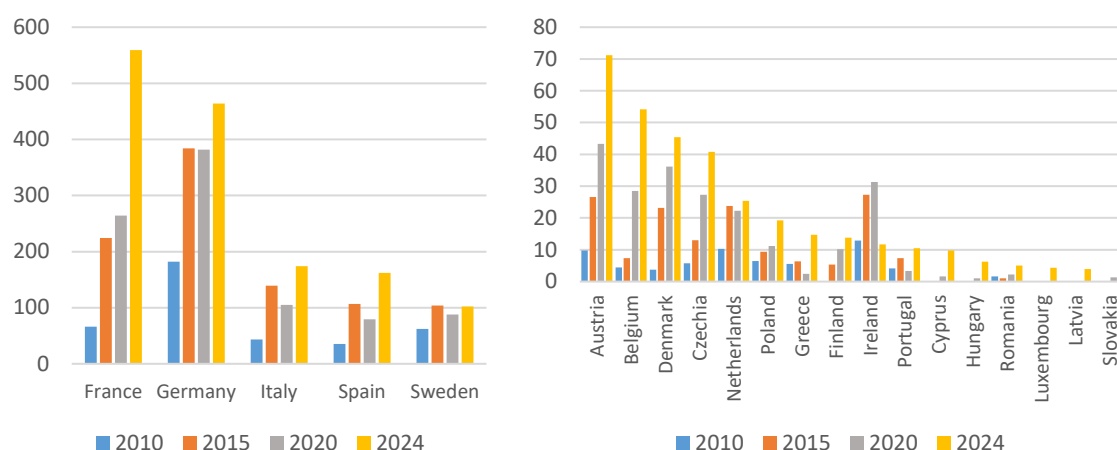


Note: The figure depicts the aggregate estimated wealth of individuals with wealth above €1 million per country-year.

Source: Authors' elaboration based on data from the World Inequality Database (WID) and the Forbes Billionaire List.

By contrast, the distribution of wealth above €1 billion across EU Member States highlights a stark concentration in a handful of economies (see Figure 27). France and Germany dominate, together accounting for more than half (56 %) of all billionaire wealth in the EU. While Germany has a broader millionaire class, France's wealth distribution is more top-heavy at the billionaire level. Italy, Spain and Sweden also showing significant levels. Outside these countries, the rest of the EU Member States show far smaller aggregated amounts, even though some, such as Austria, Belgium and Denmark demonstrate steady growth over time. Other countries remain at the lower end of the distribution, reflecting both lower overall wealth levels and less concentration among ultra-high-net-worth individuals.

Figure 27 – Aggregate wealth above €1 billion across Member States (€ billion)



Note: The figure depicts the total estimated wealth of individuals with wealth above €1 billion per country-year.

Source: Authors' elaboration based on data from the World Inequality Database (WID) and the Forbes Billionaire List.

Our modelling of potential revenues from wealth taxation proceeds in four steps. First, we define the tax base as either wealth above €1 million or above €1 billion. Second, we differentiate between a wealth tax on total net wealth and a real estate tax on non-financial assets. Third, depending on the scenario, we estimate revenues at current net wealth and real estate tax rates. We also explore hypothetical convergence scenarios: i) convergence to the mean for all countries with below-average tax rates, and ii) convergence to the top rate among countries in the highest quartile. Fourth, we incorporate assumptions on compliance and enforcement capacity. Following the benchmark applied by some academics,⁸³ we assume a 20 % evasion rate among the wealthiest. In selected scenarios, heterogeneous compliance rates are modelled using country-specific VAT enforcement gaps as a proxy for differences in administrative capacity.

6.1.1. Real estate wealth above €1 billion

We first consider a tax on real estate wealth above €1 billion. Real estate wealth is proxied in our dataset using country-specific shares of non-financial assets. Almost all Member States already levy some form of real estate taxation, but the design, valuation methods and rates differ widely. For comparability, we use nominal real estate tax rates from the Mannheim Tax Index.⁸⁴ As France effectively imposes an additional real estate tax on wealthy taxpayers, we jointly consider both the general real estate tax and the wealth tax on real estate in our model. In what follows, we model scenarios under the status quo and under convergence towards the average real estate tax rate for Member States currently below that average (i.e. mean convergence).⁸⁵

⁸³ See, Alstadsaeter et al., 2019.

⁸⁴ See, Spengel et al., 2025.

⁸⁵ We also examine a scenario of convergence towards the highest real estate tax rate applied by Member States in the top quartile (i.e. top convergence). Results are reported in Annex 1 – Table 21.

Table 8 reports selected results under full compliance. Revenue potential varies significantly across Member States, reflecting both differences in tax rates (ranging from 0 % in Cyprus to 2.29 % in France) and underlying wealth levels (from around €2 billion in Slovakia to €346 billion in France). At the lower end, Slovakia would raise only €14 million, whereas France could raise as much as €8 billion annually. Larger Member States such as Germany, Italy, and Spain also show significant potential, although at lower effective rates compared to France.

Table 8 – Estimated results for a real estate tax applicable to wealth above €1 billion

| Country | Status quo | | Mean convergence | |
|-------------|------------|--------------------------|------------------|--------------------------|
| | Tax rate | Est. Revenue (€ million) | Tax rate | Est. Revenue (€ million) |
| Austria | 0.25 % | 125.3 | 0.77 % | 385.8 |
| Belgium | 2.02 % | 707.2 | 2.02 % | 707.2 |
| Cyprus | 0.00 % | 0.0 | 0.77 % | 38.8 |
| Czechia | 0.19 % | 62.7 | 0.77 % | 254.9 |
| Denmark | 1.27 % | 237.5 | 1.27 % | 237.5 |
| Finland | 1.47 % | 187.5 | 1.47 % | 187.5 |
| France | 2.29 % | 7 917.9 | 2.29 % | 7 917.9 |
| Germany | 0.51 % | 1 395.9 | 0.77 % | 2 125.2 |
| Greece | 0.59 % | 88.3 | 0.77 % | 116.3 |
| Hungary | 1.00 % | 56.5 | 1.00 % | 56.5 |
| Ireland | 0.28 % | 30.2 | 0.77 % | 83.9 |
| Italy | 0.72 % | 766.9 | 0.77 % | 816.2 |
| Latvia | 1.50 % | 42.5 | 1.50 % | 42.4 |
| Luxembourg | 0.75 % | 19.5 | 0.77 % | 20.0 |
| Netherlands | 0.32 % | 76.4 | 0.77 % | 182.5 |
| Poland | 0.44 % | 82.5 | 0.77 % | 144.0 |
| Portugal | 0.32 % | 22.9 | 0.77 % | 55.4 |
| Romania | 0.75 % | 66.2 | 0.77 % | 68.0 |
| Slovakia | 0.68 % | 14.2 | 0.77 % | 15.9 |
| Spain | 0.44 % | 840.4 | 0.77 % | 1 470.7 |
| Sweden | 0.38 % | 142.5 | 0.77 % | 292.6 |
| Total | | 12 882.9 | | 15 219.2 |

Note: The table depicts revenue estimations from a real estate tax applicable to real estate wealth above €1 billion. Status quo refers to the application of current nominal real estate tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. Top convergence assumes that Member States within the top quartile of real estate tax rates increase their rates to the EU top rate, while all other Member States maintain their current rates.

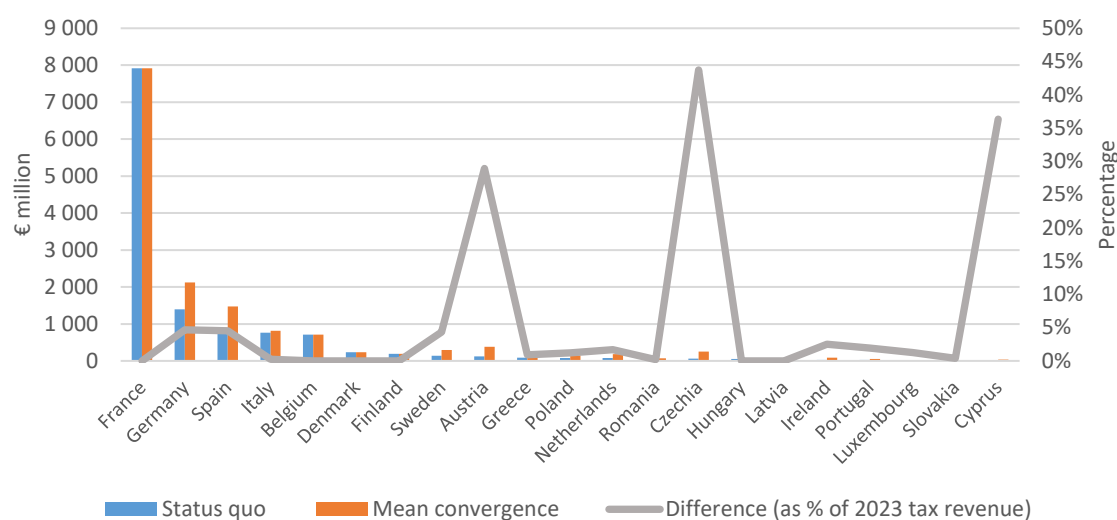
Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, the Global Wealth Report's 2023 Databook, and Mannheim Tax Index.⁸⁶

⁸⁶ See, Spengel et al., 2025.

At the EU level, the estimated revenue potential amounts to €12.9 billion under the status quo, rising by 18.1 % to €15.2 billion under mean convergence if all countries with below-average tax rates were to converge to the mean.⁸⁷ In aggregate, convergence towards a minimum tax rate could therefore generate an additional €2.3 billion annually compared to the current fragmented approach.

Figure 28 illustrates these results by comparing the estimated revenues under the status quo and mean convergence scenarios, while also expressing the additional revenue as a share of each country's 2023 real estate tax receipts. Two key insights emerge. First, in absolute terms, revenues are heavily concentrated in France, which alone could raise close to €8 billion annually, followed by Germany (€1.4–2.1 billion), Spain (€0.8–1.5 billion) and Italy (around €0.8 billion). Together, these four countries account for the bulk of potential EU revenue.

Figure 28 – Estimated revenue from a real estate tax applicable to wealth above €1 billion



Notes: Status quo refers to the application of current nominal real estate tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. The grey line depicts the difference between the mean convergence and the status quo expressed in terms of the 2023 tax revenue (which refers to the revenue from taxes on land, buildings and other structures). Countries are ordered from highest to lowest estimated revenue under the status quo scenario.

Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, Mannheim Tax Index (Spengel et al., 2025), the Global Wealth Report's 2023 Databook, and Main national accounts tax aggregates (Eurostat).

Second, when measured relative to existing property tax revenues, convergence would have a transformative impact on several smaller Member States. For example, in Austria, the shift to mean convergence would increase revenues by the equivalent of 29 % of its 2023 real estate tax collections, while in Czechia the gain would be even higher at 44 %, and in Cyprus the figure stands

⁸⁷ The top convergence scenario, where the top quarter of high-tax countries increases their rate to the top marginal tax rate, produces only slightly higher revenues of €13.4 billion.

at 36 %. By contrast, in the majority of other Member States the relative gains are modest to negligible, reflecting either already substantial tax bases or limited additional wealth at the €1 billion threshold.

This pattern highlights an important asymmetry: while harmonisation delivers the largest absolute gains in the largest economies, it could be particularly impactful in smaller Member States with currently underdeveloped property tax systems, offering them substantial relative increases in fiscal space.

6.1.2. Real estate wealth above €1 million

Alternatively, we model a tax on real estate wealth above €1 million, which represents a much larger tax base than the more restrictive €1 billion threshold. As expected, this significantly increases estimated revenues across Member States (see Table 9). For all EU-Member (excluding Cyprus, Luxembourg, Latvia, Slovakia), we estimate revenues of around €127.8 billion under the status quo, rising to €151.3 billion under mean convergence (up by 18.4 %). These amounts are broadly comparable to the most recent realised property tax revenues of €151.9 billion in 2023. This suggests that the modelling approach provides a credible baseline, though deviations at the country level remain significant.

Table 9 – Estimated results for a real estate tax applicable to wealth above €1 million

| Country | Status quo | | Mean convergence | | Tax revenue (2023) |
|-------------|------------|--------------|------------------|--------------|--------------------|
| | Tax rate | Est. Revenue | Tax rate | Est. Revenue | |
| | | (€ million) | | (€ million) | |
| Austria | 0.25 % | 960.0 | 0.77 % | 2 956.8 | 900.4 |
| Belgium | 2.02 % | 13 316.0 | 2.02 % | 13 316.0 | 7 201.5 |
| Czechia | 0.19 % | 198.9 | 0.77 % | 808.5 | 439.4 |
| Denmark | 1.27 % | 1 198.9 | 1.27 % | 1 198.9 | 4 502.7 |
| Finland | 1.47 % | 1 002.1 | 1.47 % | 1 002.1 | 2 103.0 |
| France | 2.29 % | 66 592.4 | 2.29 % | 66 592.4 | 62 123.0 |
| Germany | 0.51 % | 20 836.9 | 0.77 % | 31 724.0 | 15 672.0 |
| Greece | 0.59 % | 854.1 | 0.77 % | 1 124.2 | 2 965.0 |
| Hungary | 1.00 % | 792.0 | 1.00 % | 792.0 | 654.5 |
| Ireland | 0.28 % | 249.0 | 0.77 % | 692.2 | 2 164.3 |
| Italy | 0.72 % | 11 358.2 | 0.77 % | 12 089.0 | 21 802.0 |
| Netherlands | 0.32 % | 522.1 | 0.77 % | 1 247.4 | 6 348.0 |
| Poland | 0.44 % | 1 191.6 | 0.77 % | 2 079.0 | 5 149.3 |
| Portugal | 0.32 % | 860.6 | 0.77 % | 2 079.0 | 1 662.8 |
| Romania | 0.75 % | 504.0 | 0.77 % | 517.4 | 803.1 |
| Spain | 0.44 % | 6 864.0 | 0.77 % | 12 012.0 | 13 958.0 |
| Sweden | 0.38 % | 506.3 | 0.77 % | 1 039.5 | 3 464.8 |
| Total | | 127 807.1 | | 151 270.4 | 151 913.8 |

Note: The table depicts revenue estimations from a real estate tax applicable to real estate wealth above €1 million. Cyprus, Luxembourg, Latvia and Slovakia are excluded due to missing data in the WID. Status quo

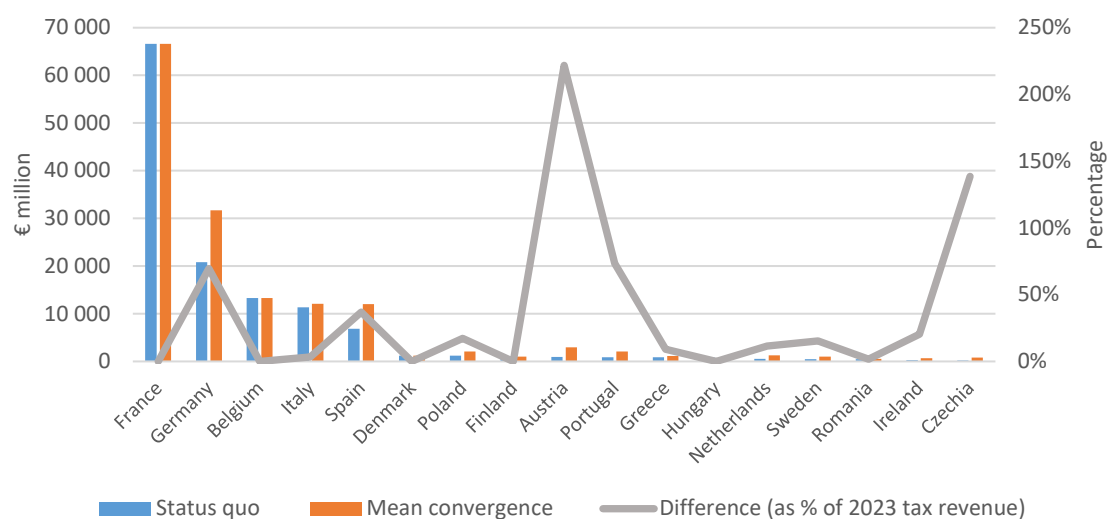
refers to the application of current nominal real estate tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. 2023 tax revenue refers to the revenue from taxes on land, buildings and other structures in 2023.

Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, Mannheim Tax Index (Spengel et al., 2025), the Global Wealth Report's 2023 Databook, and Main national accounts tax aggregates (Eurostat).

In absolute terms, France and Germany dominate the revenue potential. France alone could raise around €66.6 billion, while Germany follows with more than €20.8 billion under the status quo and close to €31.7 billion under mean convergence. Italy and Spain also show sizeable potential, generating about €12 billion each under the mean convergence scenario. Among other Member States, Belgium stands out, with over €13.3 billion in estimated revenues – about two times its reported 2023 property tax revenues of €7.2 billion. By contrast, in Denmark, Finland and Ireland, the estimated amounts are far below actual collections.

Figure 29 illustrates these findings by comparing revenues under the status quo and mean convergence scenarios, alongside the difference expressed as a share of 2023 property tax revenues. The comparison reveals two key insights. First, convergence would deliver relatively modest incremental gains for the largest economies, where existing tax systems already generate substantial revenues. France, for instance, shows virtually no additional revenue under mean convergence, and Germany records gains of about 10 % relative to its 2023 collections. Second, when measured against existing property tax revenues, convergence would have a transformative effect in Member States like Austria, which could increase collections by the equivalent of 222 % of its 2023 property tax revenues, or Czechia which could add 149 % and Ireland 20 %.

Figure 29 – Estimated revenue from a real estate tax applicable to wealth above €1 million



Notes: Status quo refers to the application of current nominal real estate tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. The grey line depicts the difference between the mean convergence and the status quo expressed in terms of the 2023 tax revenue (which refers to the revenue from taxes on land, buildings and other structures). Countries are ordered from highest to lowest estimated revenue under the status quo scenario.

Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, Mannheim Tax Index (Spengel et al., 2025), the Global Wealth Report's 2023 Databook, and Main national accounts tax aggregates (Eurostat).

These results highlight that country-level divergences are striking. This reflects the diversity of property tax systems across the Union – ranging from those that already impose broad, effective taxes on real estate, to those with narrower bases or low nominal rates. Convergence could help reduce these disparities, but it also raises important questions of design, valuation and coordination if it were to serve as the foundation for a more harmonised EU-wide approach.

6.1.3. Net wealth tax above €1 billion

As a second step, we model a net wealth tax on individuals, covering both financial and non-financial assets net of debt. The analysis isolates the effect of a net wealth tax and excludes any additional real estate taxation. At present, Spain is the only Member State applying a general net wealth tax on individuals (see Chapter 2.1), which we use as a benchmark.⁸⁸ We therefore estimate revenues under two scenarios: i) status quo and ii) a convergence scenario in which all Member States except Spain adopt a 1% rate on net wealth above €1 billion. This stylised benchmark illustrates the potential magnitude of revenues under a harmonised floor, while allowing national flexibility to apply higher

⁸⁸ We exclude the Belgian tax on securities and the Italian stamp duty on financial holdings from our analysis, as our measure of financial assets does not provide enough detail to distinguish between components that may be exempt from these taxes (e.g. closely held firms, bank deposits, or pension entitlements).

rates. A minimum EU rate would establish a floor, limiting harmful tax competition and protecting the tax base.

Up to this point, we assumed effective enforcement and full compliance. We now relax that assumption in two ways focused on financial assets (the more mobile component). First, we implement a 20 % non-compliance rate on financial assets – i.e. we assume capital flight.⁸⁹ Second, because enforcement capacity differs markedly across Member States, we incorporate heterogeneous compliance. Comprehensive data on income/wealth-tax enforcement are scarce, so we proxy compliance using the 2022 VAT gap from the EU VAT Gap 2024 report.⁹⁰ We assume an average compliance rate of 80 % and adjust this rate country by country: Member States with high VAT gaps are modelled with much lower compliance (as low as 15 %), while those with stronger enforcement approach full compliance. These heterogeneous rates apply only to financial assets, which are more mobile and prone to evasion; non-financial assets are assumed to remain fully compliant.⁹¹

The results for a 1 % net wealth tax on wealth above €1 billion show substantial revenue potential (see Table 10).⁹² We present the status quo scenario assuming full compliance. In the convergence scenario, we introduce a 20 % non-compliance rate for financial assets. We then report revenues under two compliance variants: i) a uniform 80 % compliance rate, and ii) heterogeneous compliance rates based on the VAT enforcement gap, as described above. Estimated annual revenues range from about €0.02 billion in Slovakia to €5.3 billion in Spain, with Germany (€4.2 billion), Italy (€1.6 billion) and France (€5.1 billion) also generating substantial amounts. In aggregate, the 21 Member States considered could raise around €20.3 billion annually under this scenario. However, once heterogeneous compliance is introduced (i.e. the country-specific capital-flight scenario), total revenues increase marginally by about 0.6 %, with a range that varies across countries.

Table 10 – Estimated results for a net wealth tax of 1 % applicable to wealth above €1 billion

| Country | Status quo | | Mean convergence | | | |
|---------|------------|--------------------------|------------------|--|---------------------------------|--|
| | Tax rate | Est. Revenue (€ million) | Tax rate | Est. Revenue, uniform compliance (€ million) | Country-specific capital flight | Est. Revenue, heterogeneous compliance (€ million) |
| Austria | | | 1 % | 650.6 | 8.27 % | 686.6 |
| Belgium | | | 1 % | 492.3 | 30.45 % | 466.3 |
| Cyprus | | | 1 % | 88.5 | 0.00 % | 98.0 |
| Czechia | | | 1 % | 371.2 | 11.67 % | 386.5 |
| Denmark | | | 1 % | 393.6 | 23.80 % | 382.1 |

⁸⁹ Modelling the redistribution of wealth across Member States – where some countries may gain while other lose – would require a general equilibrium framework capable of capturing cross-border behavioural responses. Such complexity lies beyond the scope of this analysis.

⁹⁰ We set negative VAT compliance gaps to zero. This only affects Cyprus, with an estimated VAT compliance gap of -0.67 %.

⁹¹ For this purpose, we allocate the share of debt pro rata to financial and non-financial wealth.

⁹² The table for wealth above €1 million is shown in the appendix.

| Country | Status quo | | Mean convergence | | | |
|-------------|------------|--------------------------|------------------|--|---------------------------------|--|
| | Tax rate | Est. Revenue (€ million) | Tax rate | Est. Revenue, uniform compliance (€ million) | Country-specific capital flight | Est. Revenue, heterogeneous compliance (€ million) |
| Finland | | | 1 % | 126.8 | 14.40 % | 130.0 |
| France | | | 1 % | 5 161.8 | 16.63 % | 5 233.9 |
| Germany | | | 1 % | 4 259.8 | 11.91 % | 4 413.5 |
| Greece | | | 1 % | 138.3 | 37.81 % | 130.5 |
| Hungary | | | 1 % | 56.4 | 6.37 % | 60.8 |
| Ireland | | | 1 % | 368.6 | 4.33 % | 400.6 |
| Italy | | | 1 % | 1 601.8 | 29.10 % | 1 539.0 |
| Latvia | | | 1 % | 37.5 | 13.93 % | 38.2 |
| Luxembourg | | | 1 % | 40.0 | 10.20 % | 41.7 |
| Netherlands | | | 1 % | 224.7 | 21.76 % | 222.1 |
| Poland | | | 1 % | 176.5 | 23.17 % | 174.1 |
| Portugal | | | 1 % | 97.5 | 3.59 % | 103.7 |
| Romania | | | 1 % | 47.7 | 84.37 % | 37.3 |
| Slovakia | | | 1 % | 29.3 | 40.32 % | 27.1 |
| Spain | 3.50 % | 5 670.0 | 3.50 % | 5 328.0 | 12.66 % | 5 453.5 |
| Sweden | | | 1 % | 891.1 | 15.25 % | 921.7 |
| Total | | 5 670.0 | | 20 318.5 | | 20 661.0 |

Note: The table depicts revenue estimations from a net wealth tax applicable to wealth above €1 billion. Status quo refers to the application of current nominal net wealth tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. We apply a 20 % non-compliance rate in the mean convergence scenarios. The heterogeneous compliance scenario assumes an average non-compliance rate of 20 % across all countries, adjusted per country based on their 2022 VAT compliance gap in relation to their peers.

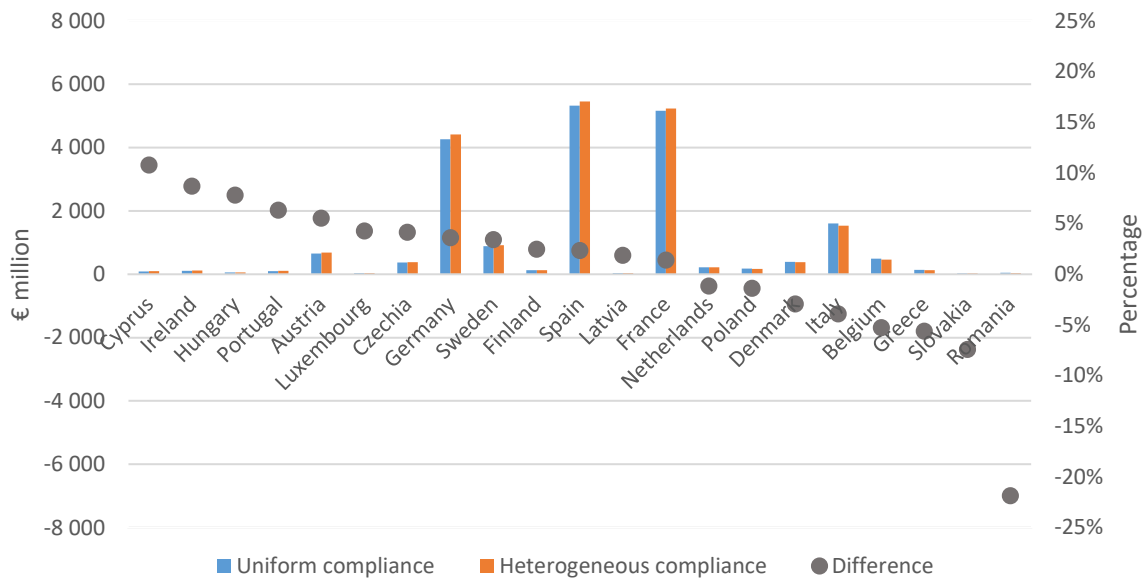
Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, the Global Wealth Report's 2023 Databook, and EU VAT Gap 2024 report.

These findings highlight two key points. First, even at modest rates, a harmonised net wealth tax on billionaires could generate meaningful fiscal revenues, concentrated in a few large economies. Second, compliance and enforcement capacity are critical: without addressing weaknesses in lower-capacity Member States, revenue potential is likely to fall short and disparities between countries may widen. This underscores the need to pair any EU-level coordination on tax rates with stronger common standards and tools for enforcement.

Figure 30 graphically illustrates the estimated revenues from a harmonised 1 % net wealth tax on individuals with wealth above €1 billion under the two financial-asset compliance scenarios (non-financial assets are assumed fully compliant in both). Again, in the uniform scenario, compliance on financial assets is fixed at 80 % across all Member States. In the heterogeneous scenario, the average remains 80 % but country-specific compliance is adjusted up or down using each Member State's VAT compliance gap as a proxy for enforcement capacity (ranging from very low compliance in high-

gap countries to near full compliance in low-gap countries). The dots show the percentage difference between heterogeneous and uniform outcomes

Figure 30 – Estimated revenue from a net wealth tax of 1 % applicable to wealth above €1 billion (€ million)



Notes: The graph depicts the estimated tax revenues for a European 1 % net wealth tax. Uniform compliance assumes 20 % non-compliance on financial assets (80 % compliance) and full compliance on non-financial assets for all countries. Heterogeneous compliance applies the same average non-compliance (20 %) but adjusts it country-by-country using each Member State's 2022 VAT gap as a proxy for enforcement capacity (non-financial assets remain fully compliant). The grey dots show the percentage difference between heterogeneous and uniform compliance for each country.

Source: Authors' calculations based on data from the World Inequality Database (WID), the Forbes Billionaire List, the Global Wealth Report's 2023 Databook, and EU VAT Gap 2024 report.

The results show that for most Member States (e.g. France, Germany, Italy, Spain) the shift from a uniform to a heterogeneous compliance assumption has a modest effect – typically within $\pm 5\%$ of revenues under the uniform case. This reflects VAT gaps close to the EU average, so implied compliance does not move far from the 80 % benchmark. By contrast, Greece, Romania and Slovakia see sharper downward adjustments once heterogeneous compliance is applied – around -22 % for Romania, -6 for Greece and -7 % for Slovakia – consistent with lower inferred enforcement. A few countries with strong enforcement records (e.g. Denmark, the Netherlands, Sweden) display only negligible differences, underscoring how higher institutional capacity limits capital-flight and evasion risks. At the other end, countries such as Cyprus and Ireland record noticeable uplifts when their stronger compliance is reflected.

Finally, we project potential revenues by extrapolating historical wealth data (2010-2024) to 2035 using a country-specific linear trend (see Table 11). This baseline assumes constant annual wealth growth and does not capture shocks or structural breaks (e.g. macroeconomic, policy, geopolitical). Under these steady-state conditions, France and Germany remain the largest contributors, reaching

roughly €10 billion and €8 billion by 2035, respectively. Spain and Italy follow – around €7 billion and €2.6 billion – with Austria, Denmark and Sweden also posting noticeable increases.

Table 11 – Estimated revenue in 2035 from a net wealth tax of 1 % applicable to wealth above €1 billion (€ million), different compliance scenarios

| Country | Tax rate | Full compliance | Uniform compliance (80 %) | Heterogeneous compliance (80 %) |
|-------------|----------|-----------------|---------------------------|---------------------------------|
| Austria | 1.00 % | 1 210.0 | 1 105.6 | 1 166.8 |
| Belgium | 1.00 % | 843.0 | 765.7 | 725.3 |
| Cyprus | 1.00 % | 155.0 | 139.9 | 155.0 |
| Czechia | 1.00 % | 713.0 | 648.7 | 675.5 |
| Denmark | 1.00 % | 887.0 | 768.9 | 746.5 |
| Finland | 1.00 % | 272.0 | 249.9 | 256.1 |
| France | 1.00 % | 10 200.0 | 9 418.6 | 9 550.2 |
| Germany | 1.00 % | 7 950.0 | 7 298.7 | 7 562.0 |
| Greece | 1.00 % | 116.0 | 109.1 | 103.1 |
| Hungary | 1.00 % | 68.2 | 61.2 | 66.0 |
| Ireland | 1.00 % | 247.0 | 222.3 | 241.7 |
| Italy | 1.00 % | 2 640.0 | 2 430.4 | 2 335.0 |
| Latvia | 1.00 % | 49.9 | 47.0 | 47.9 |
| Luxembourg | 1.00 % | 166.0 | 152.7 | 159.2 |
| Netherlands | 1.00 % | 428.0 | 378.6 | 374.2 |
| Poland | 1.00 % | 275.0 | 252.8 | 249.3 |
| Portugal | 1.00 % | 36.2 | 33.6 | 35.7 |
| Romania | 1.00 % | 73.0 | 68.4 | 53.4 |
| Slovakia | 1.00 % | 81.5 | 75.9 | 70.3 |
| Spain | 3.50 % | 7 350.0 | 6 906.7 | 7 069.4 |
| Sweden | 1.00 % | 1 600.0 | 1 397.8 | 1 445.8 |
| Total | | 35 360.8 | 32 532.4 | 33 088.2 |

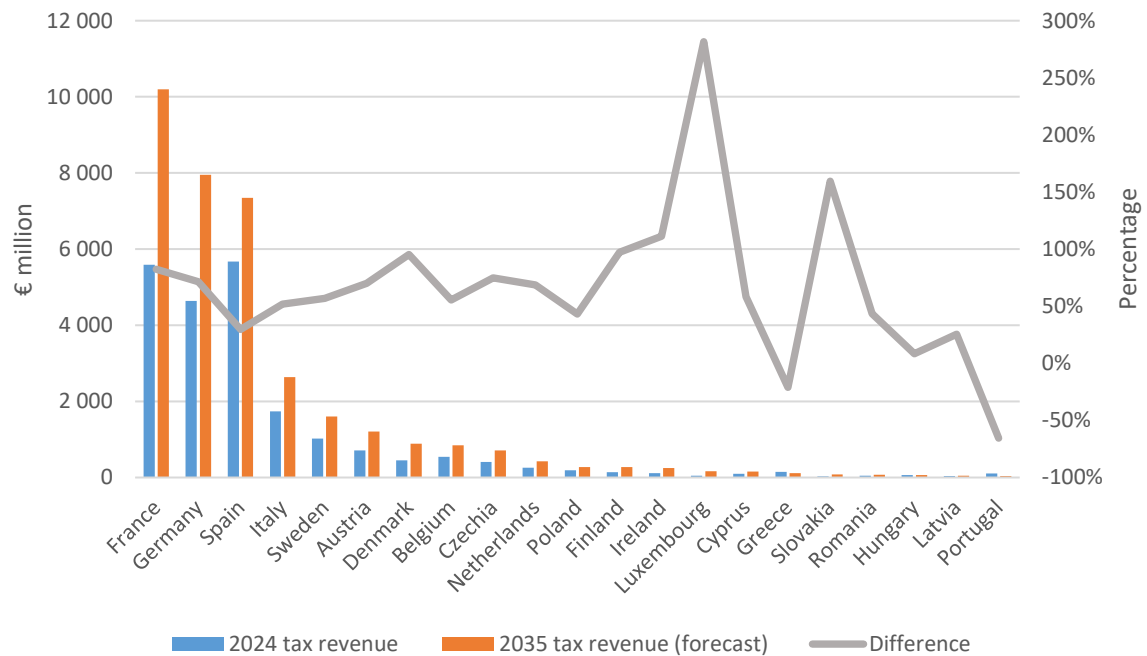
Notes: Reported tax revenues depict the estimated tax revenue of a European 1 % net wealth tax on wealth above €1 billion at forecasted wealth levels in 2035, based on linear predictions for each country. Full compliance refers to a scenario with no behavioural responses. Uniform compliance refers to a scenario with uniform 20 % non-compliance on financial assets (and full compliance on non-financial assets). Heterogeneous compliance refers to a scenario with an average non-compliance rate of 20 % across all countries, adjusted per country based on their 2022 VAT compliance gap in relation to their peers (and full compliance on non-financial assets).

Source: Authors' calculations based on data from the World Inequality Database (WID), the Forbes Billionaire List, the Global Wealth Report's 2023 Databook, and EU VAT Gap 2024 report.

Figure 31 plots the results for a harmonised 1 % net wealth tax on individuals with wealth above €1 billion (except Spain, which maintains its current 3.5 % rate), under the assumption of full compliance. In relative terms, some Member States with comparatively low estimated absolute wealth levels register the steepest growth rates. For example, Ireland, Luxembourg and Slovakia are forecast to more than double, and even triple, their revenue potential by 2035, even if absolute levels remain modest compared to the larger economies. By contrast, countries like Greece, Hungary and

Portugal show declining or stagnating revenues in relative terms, reflecting flatter historical wealth trajectories.

Figure 31 – Estimated revenue in 2035 from a net wealth tax of 1 % applicable to wealth above €1 billion (€ million)



Notes: 2024 tax revenues depict the estimated tax revenue of a European 1 % net wealth tax on wealth above €1 billion under full compliance at estimated wealth levels in 2024. 2035 tax revenues depict the estimated tax revenue at forecasted wealth levels in 2035, based on linear predictions for each country. The grey line depicts the percentage change of 2035 relative to 2024 tax revenue estimates.

Source: Authors' elaboration based on data from the World Inequality Database (WID) and the Forbes Billionaire List.

It is important to acknowledge that these estimates are mechanical and do not factor in behavioural responses. In practice, wealthy taxpayers may adjust by relocating, restructuring assets, or shifting wealth across borders to reduce tax liabilities. Such behavioural dynamics could significantly reduce realised revenues and would require coordinated enforcement mechanisms at the EU level to be effectively addressed. Thus, similar to our previous analysis for 2024 values (Table 10 above), we impose heterogeneous enforcement capacities based on the country-specific relative VAT gap. In Table 11, we present the scenario for predicted 2035 wealth levels with full compliance and uniform 80 % compliance for financial assets as benchmarks. The last column shows the predicted revenues given heterogeneous compliance, where countries with lower enforcement capacity and higher shares of financial wealth are disproportionately affected by capital flight and avoidance. While total

predicted tax revenues decrease only by 6 % in the heterogeneous as compared to full compliance scenario, some states lose out on 15 % up to 27 % of tax revenues.⁹³

Empirical research on how individuals respond to wealth taxes is relatively limited, primarily because wealth taxes are far less common than, for example, income taxes. A central finding across international studies is that wealth taxes often trigger large reductions in reported taxable wealth, driven primarily by avoidance and asset reclassification rather than actual asset depletion. For example, in Switzerland, where wealth taxes are levied at the cantonal level, a one-percentage-point reduction in the marginal wealth tax rate was associated with a 43 % increase in reported taxable wealth over 6 years, highlighting the strong responsiveness of the tax base to incentives.⁹⁴ A similar pattern emerged in Spain, where the reintroduction of the wealth tax in 2011 led to a 42–51 % reduction in declared taxable wealth over 6 years, much of it explained by legal shifts into tax-exempt assets.⁹⁵ In Sweden, wealth tax compliance was strongly influenced by administrative design. Specifically, eliminating filing requirements for taxpayers below the exemption threshold halved the number of reporting individuals slightly above threshold, while introducing pre-populated returns a few years later rapidly restored and increased compliance.⁹⁶ Persistent under-reporting of offshore holdings adds another layer of erosion, with estimates suggesting that a sizeable share of top-end wealth remains hidden.⁹⁷ Overall, reviews of the literature indicate that even moderate wealth tax rates could substantially shrink the declared tax base, with plausible estimates ranging from 7 % to 17 % for every 1 % increase in wealth tax rates.⁹⁸

Mobility is another important behavioural channel. Lowering wealth taxes in one jurisdiction can attract high-net-worth individuals, while raising them risks driving taxpayers abroad. That said, those maintaining tangible ties – such as real-estate ownership – may remain liable, so fully avoiding liability often requires severing economic and personal connections. In Spain, a within-country study finds a 10 % rise in the number of wealthy individuals over 5 years in non-taxing regions; concluding that this reflects residency misreporting rather than large-scale physical relocation.⁹⁹ In Norway, a unilateral municipal wealth-tax cut drew in high-net-worth individuals, yielding a 60–70 % increase in reported taxable wealth within 6 years.¹⁰⁰ Across Scandinavia more broadly, a one-percentage-point increase in the top wealth-tax rate reduced the number of top-wealth taxpayers by about 2 %, mainly via emigration, with the effect strongest among business owners.¹⁰¹ Such shifts can materially

⁹³ More extensive models of behavioural responses including (e.g. relocation effects) fall outside the scope of this study, which aims to provide a baseline estimate of revenue potential in the current environment.

⁹⁴ M. Brülhart, J. Gruber, M. Krapf, and K. Schmidheiny, '[Behavioral Responses to Wealth Taxes: Evidence from Switzerland](#)', *American Economic Journal: Economic Policy*, 2022.

⁹⁵ E. Jakurti, and B. Süßmuth, '[Behavioral responses to wealth taxes: Evidence from the Spanish Survey of Household Finances](#)', *Economic Letters*, 2023.

⁹⁶ E. Saez, and D. Seim, '[Wealth Tax Enforcement in Sweden: Filing Requirements and Pre-Populated Returns](#)', *Journal of Public Economics*, 2025.

⁹⁷ See, Alstadsaeter et al., 2019.

⁹⁸ A. Advani, and H. Tarrant, '[Behavioural responses to a wealth tax](#)', *Fiscal Studies*, 2021.

⁹⁹ See, Agrawal et al., 2025.

¹⁰⁰ R. Iacono, and B. Smedsvik, '[Behavioral Responses to Wealth Taxation: Evidence from Norway](#)', World Inequality Lab, 2024.

¹⁰¹ See, Jakobsen et al., 2025.

erode the tax base, even if aggregate macroeconomic effects on investment and employment remain limited.

The evidence on real economic effects is more mixed. Wealth taxes do not appear to significantly influence labour supply, with studies generally finding no impact or even small positive effects when labour income is used as a proxy.¹⁰² For entrepreneurship and firm behaviour, results diverge: some evidence points to modestly negative effects on self-employment,¹⁰³ while other analyses suggest no harm to business dynamics.¹⁰⁴ In fact, higher wealth tax liabilities are associated with stronger employment growth, reflecting incentives for taxpayers to channel resources into under-valued or privately held business assets. This 'portfolio composition effect' indicates that responses often involve reallocating wealth rather than cutting back on productive activity.

Overall, a broadly defined wealth tax could raise meaningful revenue. The main challenge lies less in dampening economic activity than in limiting avoidance, reclassification and mobility. Ultimately, behavioural responses hinge on the costs of avoidance and evasion.¹⁰⁵ Absent coordination, high-net-worth individuals can exploit differences across national systems, eroding revenues and reinforcing inequality. Such fragmentation undermines the integrity of the single market, yielding uneven tax treatment and distorted cross-border investment. Coordinated minimum standards and stronger EU-level cooperation are therefore essential – not only to secure revenues, but also to ensure fairness, curb harmful tax competition and safeguard a level playing field.

Defining a uniform wealth-tax base across EU Member States would require agreement on what constitutes taxable wealth and how it is valued on a recurring basis, an administratively complex and politically sensitive task. Most Member States tax real estate, and some also tax financial assets. Yet valuation challenges for unlisted assets (e.g. family businesses or personal property)¹⁰⁶ and enforcement costs¹⁰⁷ help explain today's status quo, with Spain the only EU country operating a fully-fledged net wealth tax. A harmonised EU-wide wealth tax would therefore need to reconcile divergent national practices and legal definitions and decide on the asset perimeter – whether to include pensions, artworks, cryptoassets and offshore holdings.

6.2. Benefits of policy options that aim at more tax harmonisation – Cryptoassets taxes

To estimate the size of the cryptoassets market in the EU and the associated revenue potential from its taxation, we build on the methodology presented in Thiemann (2024), which provides a detailed simulation of tax revenue derived from Bitcoin capital gains in the EU. Thiemann's analysis, based on transaction-level data provided by Chainalysis, estimated that realised capital gains from Bitcoin within the EU in 2020 amounted to approximately €3.6 billion. Applying national capital gains tax

¹⁰² See, Seim, 2017; Brühlhart et al., 2022; Ring, 2024.

¹⁰³ A. Hansson, 'The Wealth Tax and Entrepreneurial Activity', *The Journal of Entrepreneurship*, 2008.

¹⁰⁴ M. Bjørneby, S. Markussen, and K. Røed, K, 'An imperfect wealth tax and employment in closely held firms', *Economica*, 2023.

¹⁰⁵ J. Slemrod, 'A General Model of the Behavioral Response to Taxation', *International Tax and Public Finance*, 2001.

¹⁰⁶ See, Advani et al., 2020.

¹⁰⁷ See, Boadway et al., 2010.

rates, this corresponded to simulated total revenues of €850–900 million in the EU.¹⁰⁸ These figures provide a concrete empirical foundation for extrapolating potential tax revenues from the broader cryptoassets market.

We adapt Thiemann's estimation approach to reflect current market conditions. Because his study is based on 2020, we capitalise the underlying figures using observed increases in Bitcoin valuations up to 2024. CoinMarketCap data indicates that between 31 December 2020 and 31 December 2024, the closing value of Bitcoin rose by 222% (from US\$29 001.7 billion to US\$93 429.2 billion, equivalent to €23 634.4 billion and €89 835.8 billion at year-end exchange rates).¹⁰⁹ Extrapolating the 2020 capital gains by this price increase ensures comparability with Thiemann's baseline while grounding our estimates in the more recent size and structure of the market.¹¹⁰

In addition, we extend the scope beyond Bitcoin to capture the broader cryptoassets ecosystem. For this purpose, we adopt a simplifying assumption that Bitcoin accounts for 50 % of total cryptoassets market capitalisation¹¹¹ and therefore double the Bitcoin-based values to approximate overall cryptoassets capital gains. This assumption is consistent with historical Bitcoin market shares, which have fluctuated between 37 % and 68 % over 2020–2025 ([Bitcoin Dominance Chart](#)), and with the approach used in the DAC 8 impact assessment.¹¹²

Looking forward, we also forecast cryptoassets gains for 2035. Using daily Bitcoin prices from 2017 to mid-August 2025 (sourced from CoinMarketCap), we regress the closing value on time to obtain an average linear growth rate and predict future prices. This yields an estimated Bitcoin price of US\$170 415 (€163 860 at the 2024 year-end exchange rate) by end-2035, representing a 488 % increase compared to 2020 (low scenario). To reflect the high uncertainty and volatility of crypto markets, we also use a more optimistic benchmark: Bitbo's [rainbow halving price regression model](#), which predicts a Bitcoin price of US\$1 680 277 (€1 615 651) by 2035, equivalent to a 5 694 % increase over 2020 (high scenario). Applying these price paths to Thiemann's baseline data and doubling the results to account for all cryptoassets yields a range of possible 2035 outcomes. These estimates should be interpreted with caution, as they do not account for changes in trading patterns, investor composition, or behavioural responses to taxation.

Table 12 presents the realised Bitcoin capital gains in 2020, our extrapolation for 2024 based on observed Bitcoin prices, and projections for 2035 under both the conservative linear model and the optimistic Rainbow model. The results highlight both the scale of the cryptoassets market and the dramatic uncertainty surrounding its future development. By 2024, we estimate total realised cryptoassets capital gains in the EU-27 at around €16.1 billion, roughly four times the 2020 baseline.

¹⁰⁸ A. Thiemann, '[Cryptocurrencies: An Empirical View from a Tax Perspective](#)', *Journal of Tax Administration*, 2024.

¹⁰⁹ We used Bitcoin historic prices from CoinMarketCap.

¹¹⁰ Alternatively, we could have chosen the averages of all daily closing values within a year. This would have resulted in an increase of 493 % from 2020 to 2024 (US\$11 116.4 to US\$65 964.1). Thus, we chose the more conservative estimate relying on year-end values.

¹¹¹ M. Chimienti, U. Kochanska, and A. Pinna, [Understanding the crypto-asset phenomenon, its risks and measurement issues](#), European Central Bank, 2019.

¹¹² See, European Commission, 2022.

Under the conservative linear projection, this figure could rise further to €35.3 billion by 2035, while the optimistic model implies an order-of-magnitude increase to more than €411 billion.

Table 12 – Capital gains on crypto (€ million)

| Country | Realised capital gains 2020 | Extrapolation 2024 | | Prediction 2035 | |
|-------------|-----------------------------|--------------------|------------|---------------------------|----------------------------|
| | Bitcoin | Bitcoin | All crypto | All crypto (low scenario) | All crypto (high scenario) |
| Austria | 115 | 255.5 | 511.0 | 1 121.5 | 13 095.6 |
| Belgium | 147 | 326.6 | 653.1 | 1 433.6 | 16 739.5 |
| Bulgaria | 109 | 242.1 | 484.3 | 1 063.0 | 12 412.3 |
| Croatia | 36 | 80.0 | 160.0 | 351.1 | 4 099.5 |
| Cyprus | 14 | 31.1 | 62.2 | 136.5 | 1 594.2 |
| Czechia | 206 | 457.6 | 915.3 | 2 008.9 | 23 458.1 |
| Denmark | 52 | 115.5 | 231.0 | 507.1 | 5 921.5 |
| Estonia | 33 | 73.3 | 146.6 | 321.8 | 3 757.9 |
| Finland | 80 | 177.7 | 355.4 | 780.2 | 9 109.9 |
| France | 484 | 1 075.2 | 2 150.4 | 4 720.0 | 55 115.2 |
| Germany | 497 | 1 104.1 | 2 208.2 | 4 846.8 | 56 595.5 |
| Greece | 53 | 117.7 | 235.5 | 516.9 | 6 035.3 |
| Hungary | 40 | 88.9 | 177.7 | 390.1 | 4 5545.9 |
| Ireland | 73 | 162.2 | 324.3 | 711.9 | 8 312.8 |
| Italy | 261 | 579.8 | 1 159.6 | 2 545.3 | 29 721.2 |
| Latvia | 51 | 113.3 | 226.6 | 497.4 | 5 807.6 |
| Lithuania | 41 | 91.1 | 182.2 | 399.8 | 4 668.9 |
| Luxembourg | 12 | 26.7 | 53.3 | 117.0 | 1 366.5 |
| Malta | 8 | 17.8 | 35.5 | 78.0 | 911.0 |
| Netherlands | 316 | 702.0 | 1 404.0 | 3 081.6 | 35 984.3 |

| Country | Realised capital gains 2020 | Extrapolation 2024 | | Prediction 2035 | |
|----------|-----------------------------|--------------------|------------|---------------------------|----------------------------|
| | Bitcoin | Bitcoin | All crypto | All crypto (low scenario) | All crypto (high scenario) |
| Poland | 190 | 422.1 | 844.2 | 1 852.9 | 21 636.1 |
| Portugal | 113 | 251.0 | 502.1 | 1 102.0 | 12 867.8 |
| Romania | 71 | 157.7 | 315.5 | 692.4 | 8 085.1 |
| Slovakia | 100 | 222.2 | 444.3 | 975.2 | 11 387.4 |
| Slovenia | 52 | 115.5 | 231.0 | 507.1 | 5 921.5 |
| Spain | 379 | 842.0 | 1 683.9 | 3 696.0 | 43 158.4 |
| Sweden | 83 | 184.4 | 368.8 | 809.4 | 9 451.6 |
| Total | 3 616 | 8 033.0 | 16 065.9 | 35 263.4 | 411 769.5 |

Note: The table depicts 2020 realised capital gains in Bitcoin according to Thiemann, 2024. 2020 Bitcoin gain values are extrapolated to 2024 using Bitcoin price growth in year-end closing values, and to total crypto gains assuming a 50 % Bitcoin market share. 2035 values are predicted using future Bitcoin price growth based on linear extrapolation (lowscenario) and Bitbo's halving price regression model (highscenario).

Source: Thiemann, 2024 using data by Chainalysis, 2021, and own calculations using price data by CoinMarketCap and Bitbo.

In absolute terms, the largest economies dominate both realised and projected gains. Germany, France and Spain already account for more than one third of the total, with Germany alone reaching an estimated €2.2 billion in 2024 and a projected €56.6 billion in 2035 under the optimistic scenario. Other Member States such as Italy, the Netherlands and Poland also show substantial potential. At the same time, Member States such as Cyprus, Luxembourg and Malta exhibit relatively modest levels in absolute terms, but their growth rates are steep, reflecting rising retail participation and niche crypto markets.

These findings underline two key points. First, cryptoassets already represent a non-trivial and rapidly expanding source of taxable wealth within the EU, suggesting that coordinated taxation could generate meaningful fiscal resources. Second, the volatility and high uncertainty of the market mean that revenue outcomes are highly sensitive to price dynamics and behavioural responses. A coordinated EU-level framework could reduce fragmented enforcement and the risk of mobile taxpayers exploiting national differences in tax treatment.

6.2.1. Revenue potential from taxing crypto gains

In modelling potential tax revenues, we follow Thiemann's structure by applying country-specific tax rates to our updated measures of realised crypto gains. This preserves the differentiation of national

tax regimes while scaling up the asset base and updating it to reflect current market conditions. We consider alternative scenarios that vary in terms of applicable tax rates and compliance.

First, under the status quo scenario, we apply the current tax rates for crypto gains (see Table 5), using the top marginal rate for private investors as the benchmark. In addition, we model a mean convergence scenario, in which all countries with below-average tax rates increase them to the EU mean, while those above the mean maintain their existing rates. A further top convergence scenario is also explored, where countries converge to the highest tax rate currently observed among Member States.

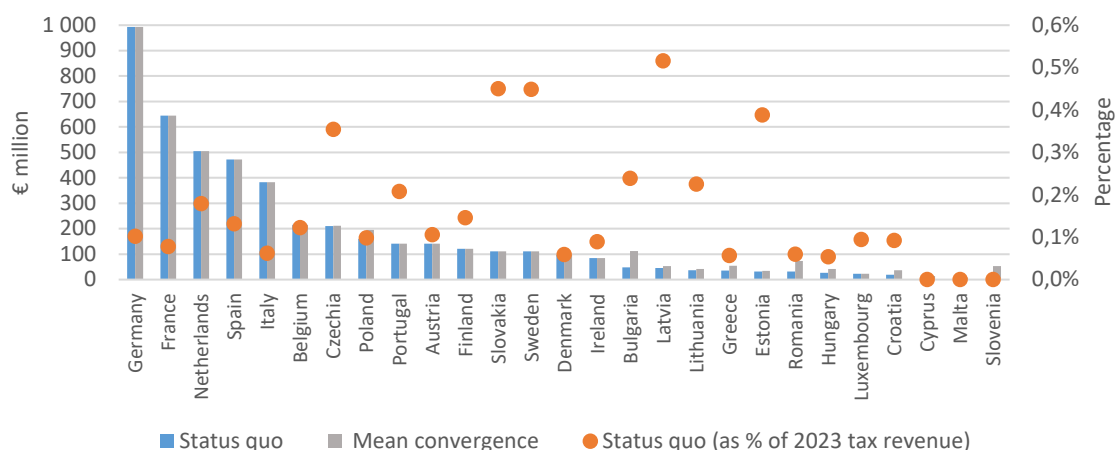
Second, we account for compliance. Empirical studies suggest that under-reporting of cryptoassets and income remains pervasive: for instance, 63 % of Norwegian taxpayers' crypto wealth¹¹³ and 90 % of Danish taxpayers' crypto income¹¹⁴ reportedly went undeclared. To capture this, we simulate both full compliance (100 %) and heterogeneous compliance rates ranging from 10 % to 40 %, using country-specific VAT enforcement gaps as a proxy for administrative capacity. This reflects the likelihood that enforcement effectiveness varies significantly across Member States.

Figure 32 presents the results for the status quo and mean convergence scenarios in 2024. In absolute terms, Germany generates the largest estimated revenues, at close to €1 billion, reflecting both its relatively high tax rate (45 %) and large crypto tax base. France, the Netherlands and Spain follow, each with several hundred million euro in potential revenues. At the other end of the spectrum, Cyprus, Malta and Slovenia currently do not tax crypto gains and therefore yield no revenues under the status quo.

¹¹³ M. Barake, A. Økland, and E. Le Pouhaër, [Who Owns Cryptocurrency?](#), Skatteforsk – Centre for Tax Research, 2025.

¹¹⁴ H. Boas, and M. Barake, M, [Enforcing Taxes on Cryptocurrencies](#), EU Tax Observatory, 2025.

Figure 32 – Estimated revenue from crypto capital gains (€ million, 2024)



Notes: Status quo applies current national tax rates on crypto gains. Mean convergence assumes that Member States with below-average tax rates increase their rate to the EU mean, while others retain their current rate. The grey dots depict revenues under the status quo expressed as a percentage of 2023 total tax revenue across all types of taxes.

Source: Authors' calculations based on Thiemann, 2024; Chainalysis, 2021; updated Bitcoin valuations and Main national accounts tax aggregates (Eurostat).

When comparing these amounts to overall 2023 tax revenues, the aggregate fiscal significance remains limited. For most large Member States, estimated crypto tax revenues represent well below 0.2% of total tax collections. However, for smaller Member States with more modest overall tax bases, the impact is more meaningful. In Latvia, Slovakia and Estonia, potential revenues from taxing crypto gains would amount to around 0.4-0.5% of total tax revenues, suggesting that even a relatively small and volatile base could be of fiscal significance in smaller economies.

The relative importance of harmonisation is also illustrated by the convergence scenarios. Moving towards a minimum tax framework could more than double revenues in countries currently applying zero or low rates, implying relative gains of up to 132% (in Bulgaria and Romania) compared to the status quo. Still, even under harmonisation, the additional revenue potential remains modest in absolute terms when compared with other tax bases.

However, given the rising prices in cryptoassets, the tax revenue potential might increase substantially in the future. Table 13 presents revenue estimates under the current tax regimes, extrapolated to 2035 using both a low and a high price prediction for Bitcoin. The conservative scenario assumes continued but moderate growth, while the high benchmark reflects the much higher valuations predicted by Bitbo's rainbow model.

At the EU-27 level, revenues could rise from around €4.7 billion in 2024 to €10.3 billion in 2035 under the low scenario, while the high benchmark suggests potential revenues exceeding €120 billion, equal to 2.8% of current total tax revenues. The contrast between the two projections highlights the extreme sensitivity of crypto-related revenues to market dynamics.

Looking across Member States, the largest absolute gains are naturally concentrated in the biggest markets. Germany could collect between €2.2 billion and €25.5 billion by 2035, while France would reach between €1.4 billion and €16.5 billion. Spain and the Netherlands also feature prominently, with revenues in the high scenario above €12 billion each. Smaller countries, however, stand out in relative terms: Latvia, Estonia, Slovakia and Sweden could all raise between 9 % and 13 % of their current tax revenues under the high scenario, while Bulgaria and Portugal would also see meaningful contributions.

Table 13 – Estimated and projected revenue from crypto capital gains (€ million)

| Country | 2024 status quo | | 2035 Prediction (low scenario) | | 2035 Prediction (high scenario) | |
|-----------|--------------------------|-----------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|
| | Est. Revenue (€ million) | % of 2023 tax revenue | Est. Revenue (€ million) | % of 2023 tax revenue | Est. Revenue (€ million) | % of 2023 tax revenue |
| Austria | 140.5 | 0.11 % | 308.4 | 0.23 % | 3 601.3 | 2.72 % |
| Belgium | 215.5 | 0.12 % | 473.1 | 0.27 % | 5 524.0 | 3.13 % |
| Bulgaria | 48.4 | 0.24 % | 106.3 | 0.52 % | 1 241.2 | 6.12 % |
| Croatia | 19.2 | 0.09 % | 42.1 | 0.20 % | 491.9 | 2.37 % |
| Cyprus | 0.0 | 0.00 % | 0.0 | 0.00 % | 0.0 | 0.00 % |
| Czechia | 210.5 | 0.35 % | 462.1 | 0.78 % | 5 395.4 | 9.08 % |
| Denmark | 97.0 | 0.06 % | 213.0 | 0.13 % | 2 487.0 | 1.51 % |
| Estonia | 32.3 | 0.39 % | 70.8 | 0.85 % | 826.7 | 9.95 % |
| Finland | 120.9 | 0.03 % | 265.3 | 0.07 % | 3 097.4 | 0.87 % |
| France | 645.1 | 0.78 % | 1 416.0 | 1.71 % | 16 534.6 | 19.98 % |
| Germany | 993.7 | 0.10 % | 2 181.0 | 0.22 % | 25 468.0 | 2.61 % |
| Greece | 35.3 | 0.00 % | 77.5 | 0.01 % | 905.3 | 0.11 % |
| Hungary | 26.7 | 0.05 % | 58.5 | 0.12 % | 683.3 | 1.38 % |
| Ireland | 84.3 | 0.09 % | 185.1 | 0.20 % | 2 161.3 | 2.29 % |
| Italy | 382.7 | 0.06 % | 839.9 | 0.14 % | 9 808.0 | 1.59 % |
| Latvia | 45.3 | 0.52 % | 99.5 | 1.13 % | 1 161.5 | 13.21 % |
| Lithuania | 36.4 | 0.23 % | 80.0 | 0.49 % | 933.8 | 5.77 % |

| | 2024 status quo | | 2035 Prediction (low scenario) | | 2035 Prediction (high scenario) | |
|-------------|--------------------------|-----------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|
| Country | Est. Revenue (€ million) | % of 2023 tax revenue | Est. Revenue (€ million) | % of 2023 tax revenue | Est. Revenue (€ million) | % of 2023 tax revenue |
| Luxembourg | 22.4 | 0.09 % | 49.2 | 0.21 % | 573.9 | 2.42 % |
| Malta | 0.0 | 0.00 % | 0.0 | 0.00 % | 0.0 | 0.00 % |
| Netherlands | 505.4 | 0.18 % | 1 109.4 | 0.39 % | 12 954.3 | 4.59 % |
| Poland | 160.4 | 0.10 % | 352.1 | 0.22 % | 4 110.9 | 2.52 % |
| Portugal | 140.6 | 0.23 % | 308.6 | 0.46 % | 3 603.0 | 5.33 % |
| Romania | 31.6 | 0.06 % | 69.2 | 0.13 % | 808.5 | 1.52 % |
| Slovakia | 111.1 | 0.45 % | 243.8 | 0.99 % | 2 846.9 | 11.54 % |
| Slovenia | 0.0 | 0.00 % | 0.0 | 0.00 % | 0.0 | 0.00 % |
| Spain | 471.5 | 0.76 % | 1 034.9 | 1.66 % | 12 084.3 | 19.36 % |
| Sweden | 110.6 | 0.45 % | 242.8 | 0.98 % | 2 835.5 | 11.50 % |
| Total | 4 687.4 | 0.11 % | 10 288.5 | 0.24 % | 120 138.0 | 2.77 % |

Note: The table presents tax revenue estimates for current national tax rates on crypto gains under full compliance in absolute terms and expressed as a percentage of 2023 total tax revenue across all types of taxes. Tax revenues are calculated based on 2024 realised crypto gain estimates and 2035 realised crypto gain predictions using future Bitcoin price growth based on linear extrapolation (low scenario) and Bitbo's halving price regression model (high scenario).

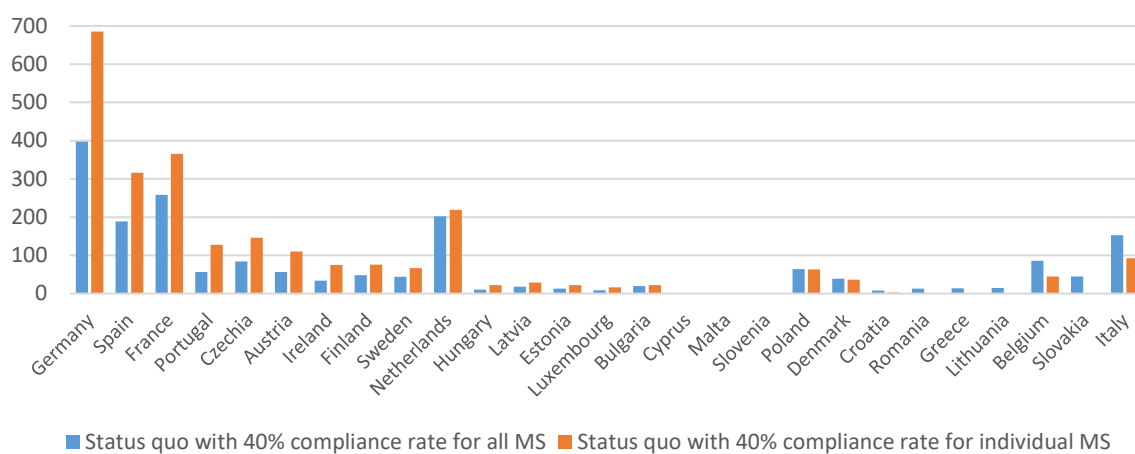
Source: Thiemann, 2024 using data by Chainalysis, 2021, and own calculations using price data by CoinMarketCap. Revenue data derived from main national accounts tax aggregates (Eurostat).

By contrast, in countries where crypto taxes are absent or poorly enforced – such as Cyprus, Malta and Slovenia – the potential revenue remains zero, underscoring the importance of consistent policy frameworks. The table thus illustrates both the opportunities and risks of relying on crypto taxation: while the amounts could be substantial under favourable market conditions, volatility and uneven tax treatment across Member States pose significant challenges for stable revenue mobilisation.

So far, the analysis has assumed effective enforcement and full compliance. Figure 33, illustrates how revenue estimates change when a uniform compliance rate of 40 % is applied across all Member States compared to a scenario where compliance averages 40 % but varies by country according to national enforcement capacity. Under the uniform assumption, all countries are treated equally, whereas the heterogeneous scenario adjusts compliance rates up or down using a proxy based on VAT enforcement gaps. This redistribution has notable effects.

In Member States with relatively strong enforcement capacity (e.g. Austria, France, Germany, Spain), estimated revenues rise relative to the uniform scenario. By contrast, countries with weaker enforcement (e.g. Belgium, Greece, Italy), see their revenue potential fall when heterogeneity is introduced. In Member States that do not tax crypto gains, including Cyprus, Malta, and Slovenia, revenues remain zero under both assumptions. These results highlight the central role of enforcement in determining revenue outcomes: while tax rules may be harmonised on paper, without effective compliance mechanisms the distribution of revenues across Member States diverges substantially. A coordinated EU framework that strengthens reporting standards and third-party information exchange could therefore reduce disparities in compliance and ensure more consistent revenue collection across the Union.

Figure 33 – Estimated revenue from crypto capital gains with 40 % compliance rate (€ million, 2024)



Notes: Uniform compliance refers to a scenario with uniform 60 % non-compliance. Heterogeneous compliance refers to a scenario with an average non-compliance rate of 60 % across all countries, adjusted per country based on their 2022 VAT compliance gap in relation to their peers. Countries are ordered from highest to lowest based on the absolute difference.

Source: Authors' calculations based on Thiemann, 2024; Chainalysis, 2021; updated Bitcoin valuations and EU VAT Gap 2024 report.

Tax revenues from cryptoassets are not systematically reported but commonly included in categories such as PIT, capital gains taxes, or corporate taxes. Individual reports indicate revenues derived from crypto gains of €34 million in Austria in 2024,¹¹⁵ €11 million in Estonia in 2021,¹¹⁶ €123 million in Spain in 2023,¹¹⁷ €140 million in Finland in 2021,¹¹⁸ €120 million in France in 2021,¹¹⁹ and €27

¹¹⁵ [Revenues from crypto-assets](#), Austrian Ministry of Finance.

¹¹⁶ [Income from crypto-assets](#), Estonian Tax and Customs Board.

¹¹⁷ [Crypto Tax Report 2024](#), Coincub.

¹¹⁸ [Tax revenue collected via cryptocurrencies](#), YLE News.

¹¹⁹ [Cryptocurrencies Tax declaration](#), BFM France.

million in Italy in 2024.¹²⁰ Except for Finland, all these amounts lie within our range of estimated revenues for 2024 crypto gains, typically between 10 % and 40 % of compliance cases. First, this provides reassurance that our estimates reflect realistic conditions. Second, the closeness to our alternative scenarios with less than full compliance indicate that the low compliance rates observed in the scarce academic literature on the topic might be a general issue and not only isolated cases.

As in the previous section on wealth taxes, it is important to remember that our analysis is static in nature and does not account for potential behavioural responses from taxpayers or investors. We model revenue potential based on observed or estimated levels of realised gains and applicable tax rates, assuming no change in behaviour resulting from taxation. Yet, evidence suggests that high-net-worth individuals often respond to new tax liabilities by relocating financial assets or their tax residency to low-tax jurisdictions or crypto-friendly countries, particularly those with weak enforcement or opaque reporting standards.¹²¹ While these behavioural responses are highly relevant for assessing the real impact of tax policy, they fall outside the scope of this study, which provides a baseline estimate of potential revenues under current or harmonised tax rules.

Due to their digital, mobile, and often pseudonymous nature, cryptoassets present unique challenges for taxation. Recent empirical work has begun to shed light on how individuals and markets respond to crypto tax regimes. Documented behavioural reactions include non-compliance, regulatory arbitrage, investment timing strategies and migration to alternative platforms. Much of this evidence, however, comes from surveys or administrative records rather than causal identification, underscoring the difficulty of measuring compliance in this domain.

The most consistent finding across jurisdictions is the prevalence of under-reporting and outright evasion. In Norway, de-anonymised transaction data linked to tax records shows that 55–60 % of investors failed to report any crypto activity, despite trades being visible to tax authorities.¹²² Under-reporting was especially pronounced among high-value investors and those using international platforms, indicating that non-compliance is often deliberate. At the same time, the authors highlight that most investors owed relatively small amounts, raising questions about the proportionality of enforcement efforts.

Similar patterns emerge in Spain, where survey evidence indicates that nearly half of respondents with cryptoassets did not report them on their tax returns, with most citing regulatory ambiguity or administrative burden as the main obstacles.¹²³ Two thirds of respondents considered the framework confusing, while almost 9 in 10 called for clearer guidance from tax authorities. A broader review confirms that regulatory heterogeneity and technical complexity hinder compliance across the OECD, particularly for non-professional investors.¹²⁴

¹²⁰ [Revenue from cryptocurrencies](#), Reuters.

¹²¹ N. Johannesen, and G. Zucman, '[The End of Bank Secrecy? An Evaluation of the G20 Tax Haven Crackdown](#)', *American Economic Journal: Economic Policy*, 2014; Alstadsaeter et al., 2019.

¹²² T. Meling, M. Mogstad, and A. Vestre, '[Crypto Tax Evasion](#)', National Bureau of Economic Research, 2024.

¹²³ A. Sánchez, B. Sastre-Hernández, J. Jorge-Vazquez, and S. Nájuez Alonso, '[Cryptocurrencies, Tax Ignorance and Tax Noncompliance in Direct Taxation: Spanish Empirical Evidence](#)', *Economies*, 2024.

¹²⁴ E. Kicova, J. Fabus, N. Stalmasekova, and T. Kvasnicova-Galovicova, '[Bitcoin, cryptocurrencies and tax evasion: A systematic literature review on global approaches to cryptocurrency taxation and the challenges for harmonising regulatory frameworks](#)', *Data Science in Finance and Economics*, 2025.

The digital infrastructure of crypto markets facilitates regulatory arbitrage and geographic shifting. Investors frequently migrate to exchanges that are less regulated or outside the scope of tax authorities, with users of decentralised or foreign platforms showing far lower compliance rates.¹²⁵ In Denmark, microdata reveal that investors often move holdings to jurisdictions where platforms are not required to report assets to tax administrations.¹²⁶ Similar trends are found in Norway, where taxpayers using foreign platforms had markedly lower compliance rates than those on domestic, reportable exchanges.¹²⁷ These patterns highlight the critical role of third-party reporting and international cooperation in strengthening compliance.

While taxation has not been shown to deter overall participation in crypto markets in a significant way, there is some evidence of effects at the margins. In Spain, 35 % of investors reported that tax obligations reduced their willingness to invest, although this effect was weaker among more experienced or wealthier individuals.¹²⁸ Overall, behavioural responses appear to involve reporting strategies and platform choices rather than a withdrawal from crypto investment altogether.

Taken together, the evidence suggests that non-compliance is widespread, particularly among those using foreign or opaque exchanges. The fragmented landscape of national regulations – ranging from full capital gains taxation to partial exemptions or complete non-taxation of crypto gains – creates loopholes, distorts incentives, and weakens overall compliance. This strengthens the case for a coordinated EU framework. A harmonised system, combined with robust third-party reporting and exchange transparency, could significantly reduce the crypto tax gap while improving fairness and efficiency. The upcoming implementation of DAC8 is a step in this direction, as it establishes mandatory information exchange on crypto holdings within the EU. However, without broader international cooperation, investors may continue shifting assets to platforms outside the EU, leaving part of the problem unresolved.

6.3. Benefits of policy options to increase digitalisation of tax administration

The digitalisation of tax administration plays a crucial role in shaping the efficiency, accessibility and user experience of public revenue systems. While substantive tax policy may be harmonised in some areas across the EU, Member States differ significantly in how tax authorities leverage digital tools and platforms. These divergences affect not only the internal functioning of administrations but also the ease with which businesses and individuals comply with their obligations.

Measuring the impact of digitalisation is inherently challenging. Differences in reform scope and timing complicate cross-country comparisons, while broad indices of digitalisation provide only a partial picture. Aggregated data often obscure local variations and cannot disentangle whether higher tax revenues are driven by digital reforms themselves or by broader economic factors such as firm productivity, administrative capacity, or institutional quality. As a result, cross-country

¹²⁵ Ibid.

¹²⁶ See, Boas and Barake, 2025.

¹²⁷ See, Meling et al., 2024.

¹²⁸ See, Sánchez et al., 2024.

correlations are informative but insufficient for establishing causality, which is why this study refrains from relying exclusively on such approaches.

Nevertheless, cross-country evidence does suggest broad relationships between digital adoption and tax outcomes. For example, higher ICT penetration has been associated with higher tax revenues,¹²⁹ though other work finds more mixed effects when considering internet usage, with correlations shifting from negative to positive over time.¹³⁰ Studies also indicate that accelerated digitalisation in public services correlates with lower tax evasion¹³¹ and reduced VAT fraud.¹³²

More convincing causal evidence comes from country-level reforms and experiments. A growing literature exploits tax-administration digitalisation in emerging economies to identify causal effects. These studies are informative, but their transferability to Europe is limited by differences in infrastructure, institutional capacity, taxpayer profiles and digital maturity. For this reason, we focus on evidence from European settings.

One strand of literature examines how digital reporting curbs tax fraud. Italy's introduction of mandatory e-invoicing reduced cross-border VAT fraud, with estimated revenue losses falling by €2.2–2.6 billion in the year following implementation.¹³³ Hungary's rollout of online cash registers increased reported turnover and tax payments, particularly among smaller firms, and created spillover effects along supply chains, though annual VAT revenue gains remained modest.¹³⁴ Experimental evidence likewise indicates that pre-filled deductions reduce evasion.¹³⁵

Taken together, these examples show that digital reforms can strengthen compliance, even if short-term fiscal returns vary. Digitalisation enables automated cross-checks and the use of third-party data to curb evasion, even as new technologies create additional avenues for avoidance among high-income taxpayers.¹³⁶ Beyond streamlined reporting, administrations are deploying AI for risk scoring and anomaly detection; models combining deep learning and cognitive modelling have flagged suspicious activity in supply chains serving Russia's Arctic zone,¹³⁷ and artificial neural networks applied to audited taxpayer datasets have shown high detection accuracy in income-tax cases.¹³⁸

¹²⁹ C. Koyuncu, R. Yilmaz, and M. Ünver, '[Does ICT Penetration Enhance Tax Revenue?: Panel Evidence](#)', *Anadolu University Journal of Social Sciences*, 2016.

¹³⁰ D. Hanrahan, '[Digitalization as a Determinant of Tax Revenues in OECD Countries: A Static and Dynamic Panel Data Analysis](#)', *Athens Journal of Business & Economics*, 2021.

¹³¹ C. Strango, '[Does digitalisation in public services reduce tax evasion?](#)', *Econ Res Guard*, 2021.

¹³² E. Kitsios, J. Jalles and G. Verdier, '[Tax evasion from cross-border fraud: does digitalization make a difference?](#)', *Applied Economics Letters*, 2023.

¹³³ M. Heinemann and W. Stiller, '[Digitalization and cross-border tax fraud: evidence from e-invoicing in Italy](#)', *International Tax and Public Finance*, 2024.

¹³⁴ See, Ván et al., 2025.

¹³⁵ M. Fochmann, N. Müller, and M. Overesch, '[Less cheating? The effects of prefilled forms on compliance behavior](#)', *Journal of Economic Psychology*, 2021; M. Fochmann, F. Hechtner, T. Kölle, and M. Overesch, '[Combating overreporting of deductions in tax returns: prefilling and restricting the deductibility of expenditures](#)', *Journal of Business Economics*, 2021.

¹³⁶ J. Alm, '[Tax evasion, technology, and inequality](#)', *Economics of Governance*, 2021.

¹³⁷ A. Raikov, '[Decreasing Tax Evasion by Artificial Intelligence](#)', *IFAC PapersOnLine*, 2021.

¹³⁸ B. Murorunkwere, O. Tuyishimire, D. Haughton, and J. Nzabanita, '[Fraud Detection Using Neural Networks: A Case Study of Income Tax](#)', *Future Internet*, MDPI, 2022.

While blockchain can enhance transparency, security and efficiency in tax administration,¹³⁹ adoption is constrained by scalability, legacy-system integration and data-protection requirements.¹⁴⁰ However, without the capability to process millions of transactions reliably, digital tools risk adding complexity rather than reducing it.¹⁴¹

Digitalisation has also emerged as a particularly powerful tool for reducing compliance burdens. As businesses expand across borders and tax systems become more complex, leveraging technology can streamline tax processes, improve efficiency, and lower compliance costs. A panel analysis of 198 countries between 1990 and 2014, shows that the introduction of e-filing significantly decreases compliance costs (measured by the time required to prepare and pay taxes) compared to countries that did not implement such systems during the same period.¹⁴²

Chapter 4 has already illustrated the divergence in digital process across European Member States. We map the country ranking based on the Tax Complexity Index with the country ranking based on the EDGI-TI index and the composite ISORA index for 2020. As already suggested by the graph (see Figure 34), we confirm a significant positive correlation at the 1 % level between the tax complexity and EDGI-TI rank in untabulated regressions with year fixed effects in the full sample. Thus, countries with better telecommunications infrastructure also tend to have a less complex tax system. Countries with better infrastructure may have more resources and political will to simplify their tax codes in response to the challenges of globalisation and digital trade. In this sense, the correlation does not necessarily indicate a direct link between digitalisation and simpler tax laws but rather indicates how a country's overall governance approach could facilitate both digitalisation and tax law simplification.

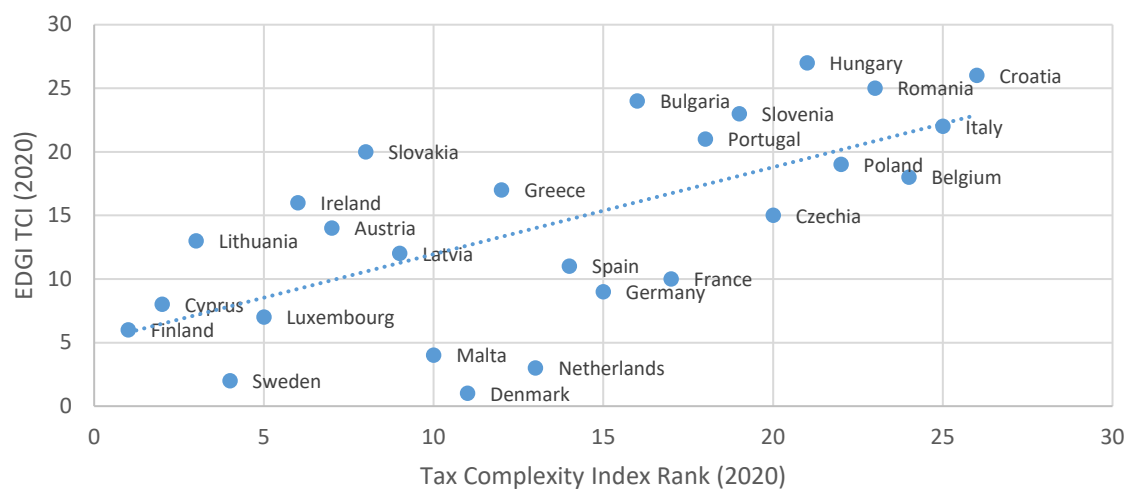
¹³⁹ O. Mazur, '[Can Blockchain Revolutionize Tax Administration?](#)'. *Penn State Law Review*, 2022.

¹⁴⁰ See, Ariyibi et al., 2024.

¹⁴¹ O. Okunigbe, and F. Santoro, '[The Promise and Limitations of Information Technology for Tax Mobilization](#)', World Bank Research Observer, 2022; Z. Irani, R. Abril, V. Weerakkody, A. Omar, and U. Sivarajah, '[The impact of legacy systems on digital transformation in European public administration: Lesson learned from a multi case analysis](#)', *Government Information Quarterly*, 2023.

¹⁴² A. Kochanova, Z. Hasnain, and B. Larson, '[Does E-Government Improve Government Capacity? Evidence from Tax Compliance Costs, Tax Revenue, and Public Procurement Competitiveness](#)', *The World Bank Economic Review*, 2020.

Figure 34 – Comparison between the complexity of tax reporting and telecommunication infrastructure in Member States

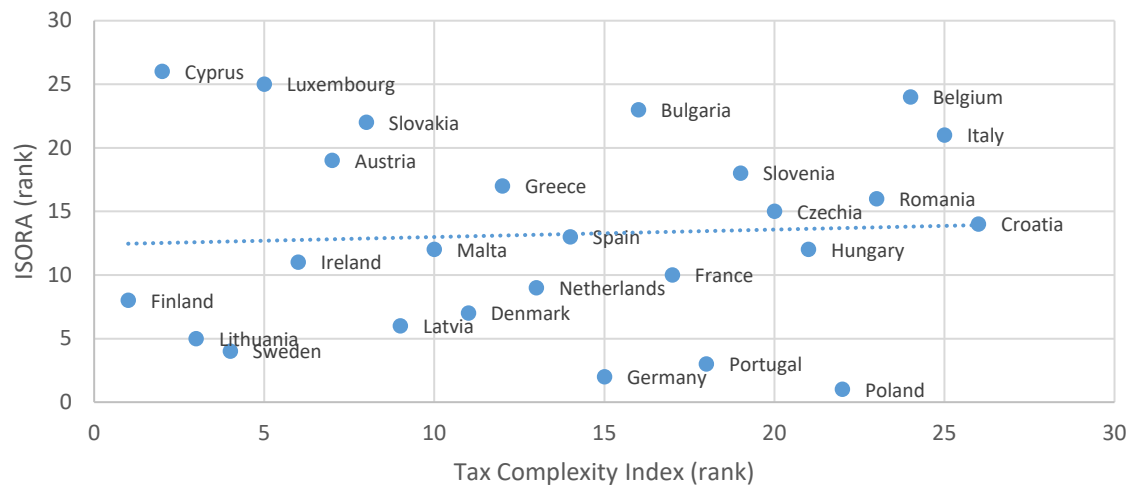


Note: The graph compares the country ranking based on the Tax Complexity Index (x-axis) and the Telecommunications Infrastructure Index from the E-Government Development Index (y-axis). Countries with the same value are appointed equal ranks.

Source: Authors' elaboration based on data from EDGI and Tax Complexity. We thank Caren Sureth-Sloane, Deborah Schanz and their team for sharing data from their Global MNC Tax Complexity Project with us. For further information on the survey and index construction see Hoppe, Schanz, Sturm, Sureth-Sloane (2023): The Tax Complexity Index – A Survey-Based Country Measure on Tax Code and Framework Complexity, *European Accounting Review*, 32 (2): 239-273. DOI: 10.1080/09638180.2021.1951316.

We do not find a significant relationship between tax complexity and digitalisation of the tax administration (see Figure 35). The lack of a significant relationship between tax law complexity and digitalisation may stem from several factors. Digitalisation could streamline tax processes, but it does not necessarily simplify the underlying complexity of tax laws. Even in digitally advanced countries, complex tax codes may still require significant time and effort to comply with. Furthermore, digitalisation efforts may be in early stages or not fully integrated, limiting their impact on compliance burdens.

Figure 35 – Comparison between the complexity of tax reporting and the digitalisation of tax administration in Member States



Note: The graph compares the country ranking based on the Tax Complexity Index (x-axis) and the country ranking based on the ISORA composite index (y-axis). Countries with the same value are appointed equal ranks.

Source: Authors' elaboration based on data from ISORA and [Tax Complexity](#). We thank Caren Sureth-Sloane, Deborah Schanz and their team for sharing data from their Global MNC Tax Complexity Project with us. For further information on the survey and index construction see Hoppe, Schanz, Sturm, Sureth-Sloane (2023): The Tax Complexity Index – A Survey-Based Country Measure on Tax Code and Framework Complexity, *European Accounting Review*, 32 (2): 239-273. DOI: 10.1080/09638180.2021.1951316.

While these correlations are informative, aggregated country-level data cannot establish causality between tax complexity and digitalisation. The observed associations may reflect broader structural factors rather than a direct effect of digital infrastructure on complexity. Cross-country comparisons also mask within-country variation and policy nuances that can materially affect outcomes. More granular data or targeted policy experiments are needed to determine whether digitalisation simplifies tax systems, or whether countries with simpler systems are simply better placed to adopt digital tools.

A growing set of experimental and quasi-experimental studies offers stronger evidence on the causal effects of digitalisation on compliance and administration. Systematic reviews find that e-invoicing and pre-filled returns lower compliance costs and improve efficiency.¹⁴³ In Belgium, electronic invoicing is associated with substantial cost savings,¹⁴⁴ and pre-filled returns reduce compliance costs considerably.¹⁴⁵ In Slovenia, the introduction of pre-filled returns cut personal

¹⁴³ S. Hesami, H. Jenkins, and G. Jenkins, '[Digital Transformation of Tax Administration and Compliance: A Systematic Literature Review on E-Invoicing and Prefilled Returns](#)', *Digital Government: Research and Practice*, 2024.

¹⁴⁴ K. Poel, W. Marneffe, and W. Vanlaer, '[Assessing the electronic invoicing potential for private sector firms in Belgium](#)', *International Journal of Digital Accounting Research*, 2016.

¹⁴⁵ Y. Benzarti, '[Estimating the Costs of Filing Tax Returns and the Potential Savings from Policies Aimed at Reducing These Costs](#)', National Bureau of Economic Research, 2021.

income-tax compliance costs by roughly 73 % based on survey evidence.¹⁴⁶ In Sweden, the pre-population of wealth tax returns with third-party-reported asset information was associated with a marked reduction in under-reporting around the exemption threshold, suggesting that automatic pre-filling can help close clear compliance gaps.¹⁴⁷ Accuracy is pivotal: correctly pre-filled returns raise compliance, whereas incorrect pre-fills can reduce it.¹⁴⁸ Experimental evidence confirms that compliance improves when pre-populated returns are accurate but declines when errors lower reported liabilities – underscoring the importance of reliability.¹⁴⁹

These divergences in digital capability carry clear policy implications. Member States still transitioning to modern tax services risk higher compliance burdens, less responsive taxpayer support and weaker enforcement efficiency. This disadvantages domestic firms and widens asymmetries within the single market, where businesses in digitally advanced jurisdictions face lower costs and greater predictability. Uneven adoption also hampers cross-border cooperation, reducing the effectiveness of EU-wide tools such as joint audits, e-invoicing and data exchange.

6.4. Benefits of policy options on simplification measures and of measures aiming at reducing the burden of tax compliance

Tax compliance costs vary widely across EU Member States. Countries with integrated digital ecosystems, centralised tax portals and streamlined procedures tend to reduce burdens significantly, whereas systems characterised by fragmented authorities, overlapping rules and limited automation perpetuate high compliance costs – particularly for SMEs and cross-border operators. While EU legislation has harmonised many substantive tax rules through directives, their implementation and administration remain highly diverse at national level. As highlighted in Chapter 5, this divergence results in markedly different experiences for businesses across the EU. Compliance burdens are shaped not only by the complexity of procedures, but also by the degree of digitalisation, institutional capacity and the overall design of public administration. In this respect, the EU tax compliance landscape is defined by heterogeneity and asymmetry. As the EU advances its agenda on digitalisation, competitiveness and the single market, greater convergence in tax administration should be a strategic priority.

Empirically assessing the impact of compliance costs and complexity on revenue is challenging. Cross-country studies using aggregate data face methodological limitations, including differences in tax systems, a lack of comparable data, and the difficulty of establishing causality. For this reason,

¹⁴⁶ M. Klun, '[Pre-filled Income Tax Returns: Reducing Compliance Costs for Personal Income Taxpayers in Slovenia](#)', *Financial Theory and Practice*, 2009.

¹⁴⁷ See, Saez and Seim, 2025.

¹⁴⁸ M. Fonseca and S. Grimshaw, '[Do Behavioral Nudges in Prepopulated Tax Forms Affect Compliance? Experimental Evidence with Real Taxpayers](#)', *Journal of Public Policy & Marketing*, 2017; M. Doxey, J. Lawson, and S. Stinson, '[The Effects of Prefilled Tax Returns on Taxpayer Compliance](#)', *Journal of the American Taxation Association*, 2021; M. Fochmann, N. Müller, and M. Overesch, '[Less cheating? The effects of prefilled forms on compliance behavior](#)', *Journal of Economic Psychology*, 2021.

¹⁴⁹ W. Van Dijk, S. Goslinga, B. Terwel, and E. Van Dijk, '[How choice architecture can promote and undermine tax compliance: Testing the effects of prepopulated tax returns and accuracy confirmation](#)', *Journal of Behavioral and Experimental Economics*, 2020.

we refrain from formally quantifying such effects in this study. Nevertheless, robust empirical and experimental evidence shows that simplifying compliance processes can improve taxpayer behaviour.

The research literature on tax compliance has traditionally focused more on enforcement than on simplification.¹⁵⁰ However, growing evidence shows that complexity and administrative burden have a strong impact on compliance. Smaller firms bear disproportionately higher compliance costs, with large variation across countries, suggesting that simplification and digital tools such as electronic filing can significantly ease their burden.¹⁵¹ In the US, more complex systems and high compliance costs are associated with higher levels of unreported income, while unequal access to tax advisory services exacerbates inequalities, as wealthier taxpayers are better able to manage their liabilities.¹⁵² Similar dynamics appear elsewhere, where firms have been shown to under-report income to remain below the VAT registration threshold to avoid compliance costs.¹⁵³ Ex ante, the link between lower compliance costs and tax revenues is not clear-cut, since non-compliance can stem from both evasion and under-reporting of legitimate expenses. In Denmark, for example, the introduction of information reporting for charitable deductions led to a substantial rise in reported claims, suggesting that many taxpayers had previously refrained from claiming them due to compliance costs.¹⁵⁴

In Europe, experimental evidence also points to the benefits of simplification. Simplifying the communication of tax obligations substantially increases compliance and is often more cost effective than harsher enforcement measures, although these positive effects fade quickly if simplification efforts are not maintained.¹⁵⁵

As elaborated on in the previous chapter, digital tools like e-filing, e-invoicing, and pre-filled returns have also been shown to significantly reduce tax compliance costs and improve efficiency. However, their effectiveness depends on accuracy: correct pre-fills increase compliance, while errors can reduce it.

Beyond revenue, compliance costs also affect broader economic outcomes. Cross-country analysis using the Doing Business database shows a strong association between reductions in the time required to comply with tax obligations and higher economic growth.¹⁵⁶ Evidence from an

¹⁵⁰ J. Slemrod, '[Tax Compliance and Enforcement](#)', *Journal of Economic Literature*, 2019.

¹⁵¹ VVA and KPMG, '[Tax compliance costs for SMEs: An Update and A Complement - Final Report](#)', European Commission, 2022.

¹⁵² J. Fichtner, and J. Feldman, '[The Hidden Cost of Federal Tax Policy](#)', Mercatus Center, George Mason University, 2015.

¹⁵³ Z. Asatryan, and A. Peichl, '[Responses of Firms to Tax, Administrative and Accounting Rules: Evidence from Armenia](#)', CESifo Working Papers, 2017.

¹⁵⁴ C. Gillitzer, and P. Skov, '[The use of third-party information reporting for tax deductions: evidence and implications from charitable deductions in Denmark](#)', *Oxford Economic Papers*, 2018.

¹⁵⁵ J. De Neve, C. Imbert, J. Spinnewijn, T. Tsankova, and M. Luts, '[How to Improve Tax Compliance? Evidence from Population-Wide Experiments in Belgium](#)', *Journal of Political Economy*, 2021.

¹⁵⁶ See, Poel et al., 2016.

occupational choice model applied to 29 OECD countries further indicates that higher compliance costs negatively affect entrepreneurship and reduce the creation of new businesses.¹⁵⁷

Businesses operating across Member States face markedly different compliance burdens, with cross-border firms disproportionately affected by multiple tax systems. As the empirical studies presented here show, simplifying procedures – especially via e-filing, pre-filled returns and e-invoicing – improves taxpayer behaviour and lowers costs. However, while lower compliance costs can reduce evasion, they may also increase the take-up of deductions and the accuracy of expense reporting, potentially offsetting revenue gains. These countervailing effects underline the need for targeted research to identify which measures reduce costs and improve compliance – and under what conditions they also raise revenue.

¹⁵⁷ P. Braunerhjelm, J. Eklund, and P. Thulin, '[Taxes, the tax administrative burden and the entrepreneurial life cycle](#)', *Small Business Economics*, 2019.

7. Concluding remarks – Elaboration on potential options for the future of tax harmonisation

EU competence in taxation is limited. As emphasised throughout the Monti report (2010) on the single market, harmonisation is a delicate topic, with divergent views among Member States on whether it should be pursued even if costs of non-Europe can be identified. The Treaties do not grant the Union general fiscal power to set and collect taxes directly from individuals or companies for broad policy purposes in the way Member States do. At the same time, Article 311 TFEU allows the Union to finance its budget through 'own resources'. This legal basis has been utilised to introduce EU-level revenue instruments and to propose new ones, including levy-type mechanisms with tax-like features.¹⁵⁸ In that sense, the Union may create EU 'own resources', potentially including forms of taxation, where this is necessary to fund the EU budget. However, this budgetary power is distinct from tax harmonisation in areas such as direct taxation (e.g. wealth or personal capital gains), where the Treaties generally leave primary competence to the Member States. In these cases EU action must be justified, if at all, by internal market considerations and typically requires unanimous agreement.

Separately, the Treaties also provide for coordination or harmonisation of national tax systems when this is necessary for the functioning of the internal market. Divergence in national tax rules can generate a cost of non-Europe by creating frictions to the free movement of goods, services, labour and capital. These frictions may take the form of duplicated reporting obligations, inconsistent valuation rules or burdensome compliance requirements for cross-border activity. If these obstacles hinder fair competition and integration within the single market, targeted initiatives at the EU level to reduce them may be warranted for the sake of the internal market. This principle is already reflected in Article 113 of the TFEU, which addresses the need for harmonising indirect taxes to support the establishment and functioning of the internal market. Additionally, Article 115 of the TFEU permits the harmonisation of laws that impact the internal market, provided that it is approved by a unanimous decision of the Council.

This final chapter brings together the study team's conclusions and outlines a set of policy options intended to stimulate debate on how, within the legal and political limits on EU involvement in taxation, some degree of European added value could be achieved.¹⁵⁹ The emphasis is on areas where greater convergence could plausibly improve the functioning of the single market. At the same time, there may also be scope for EU-level action to support competitiveness, simplify tax procedures, and reduce avoidance and evasion – themes that have featured prominently in recent EU-level policy discussions, including the EU tax symposia in [2023](#) and [2025](#).

The options presented draw on the preceding analysis, on input from consulted stakeholders, on inferences from the academic and policy literature, and on the study team's own reflections. To set

¹⁵⁸ For example, the call rate on non-recycled plastic packaging waste introduced in 2021 (i.e. [plastics own resource](#)), as well as [proposals](#) to assign part of the revenues from the EU Emissions Trading System and the Carbon Border Adjustment Mechanism, and a [share of taxing rights](#) from very large multinationals under the OECD/G20 Pillar One agreement, to the EU budget.

¹⁵⁹ The conclusions and suggestions throughout this chapter are exclusively those of the authors and do not necessarily accord with the views of the European Parliament.

the scene, 7.1 recalls the rationale for greater coordination tax harmonisation and sets out principles relevant to the specific institutional and political economy context of the EU. Sections 7.2 and 7.3 look, respectively, at the scope for harmonisation of wealth and cryptoasset taxes and consider possible avenues. Section 7.4 discusses digitalisation of tax administration and its implications for convergence and enforcement. Section 7.5 examines options to reduce tax compliance burdens across Member States.

7.1. Rationale and guiding principles

Each of the four freedoms of the single market can be affected by an absence of tax coordination, giving rise to costs of non-Europe stemming from fragmented national approaches to taxation. Two consequences follow. First, efficiency losses arise from avoidable administrative and compliance costs – for example, when businesses or individuals must navigate and comply with multiple, non-aligned national rules. Second, fragmentation can create incentives for relocation of activity, assets or tax residence, either within the Union or to third countries.

The Letta (2024) report includes a dedicated section on 'addressing tax fragmentation to empower the Single Market', in which insufficient tax coordination is described as a major barrier to the full realisation of the single market across all four freedoms. The report highlights differences in the taxation of assets and calls for 'systemic reforms'. In this perspective, the way in which wealth taxes and other asset-based taxes (including those relating to cryptoassets) are designed and administered could play a role in limiting harmful tax competition within the EU.¹⁶⁰

Fragmentation in tax policy may generate fiscal losses, raise compliance burdens and create gaps in enforcement. Against this backdrop, steps to reduce fragmentation could contribute to a better functioning single market and help address distortions linked to aggressive tax planning. While taxation remains a core national competence, the cross-border nature of wealth, cryptoassets and business activity creates spillovers that individual Member States may find difficult to manage on their own.

To generate European added value, it may therefore be important not to confine coordination efforts principally to the corporate tax sphere, but to consider all four freedoms of the single market and tailor any possible initiatives accordingly. This supports the argument for exploring EU-level coordination where there is evidence that national fragmentation creates cross-border distortions or unnecessary compliance costs, provided that any such measures comply with Treaty requirements, including subsidiarity and proportionality. Box 6 outlines a set of guiding principles for how such coordination could develop in practice.

¹⁶⁰ Letta also cites areas such as energy and vehicle taxation as illustrations of how the cost of non-Europe arises in practice, for example where divergent rules impede cross-border car rental. He further stresses that complexity itself amplifies these costs.

Box 7 – Guiding principles for moving towards EU-level coordination

Minimum standards: introducing common minimum requirements or floor standards in areas where large discrepancies risk distorting the functioning of the single market or encouraging arbitrage. Such standards would not require maximum rates, and would not replace national competence, but could help limit 'race to the bottom' dynamics in narrowly defined, high-mobility tax bases.

Aligned reporting and interoperability: working towards compatible definitions, valuation rules and reporting formats for certain tax-relevant items (for example, high-value assets, crypto transactions, or cross-border business income), in order to reduce duplication for taxpayers operating in more than one Member State and to make information exchange between authorities more effective.

Shared enforcement/compliance tools: strengthening cooperation between national authorities by extending and refining existing mechanisms for administrative cooperation (for example, joint audits, targeted information exchange, coordinated risk assessment). The aim would be to reduce gaps in enforcement capacity that can be exploited across borders.

Digital-by-default approach: where there is evidence that specific digital tools (such as e-invoicing, real-time reporting, pre-filled returns or automated data exchange) reduce compliance costs and improve accuracy, promote their wider and interoperable use. This would include helping administrations with limited IT capacity to access such tools on fair terms.

Evidence-based policymaking: requiring systematic ex post assessment of major tax administration reforms (for instance, new reporting obligations or digital filing systems) to verify that they actually lower compliance costs, support voluntary compliance and reduce tax gaps, rather than creating new burdens.

7.2. Wealth taxation

Wealth taxation can be approached from several angles, including fairness, fiscal capacity and the functioning of the single market. Divergent approaches across Member States – ranging from broad-based net wealth or property taxes to very limited or no taxation of high-net-worth individuals – may encourage mobility of wealthy taxpayers, create distortions in competition and weaken equal treatment. They may also limit the ability to raise revenue from those most able to contribute. Real estate taxation, often the main form of wealth-related taxation, may in some cases produce regressive effects: middle-income households tend to hold a larger share of their assets in housing, while the wealthiest may diversify into assets that are lightly taxed or not taxed at all.

More coordinated action at EU level could help address some of these issues by setting common baselines, improving the comparability of valuation methods and strengthening enforcement. A broader, well-designed net wealth framework could therefore contribute to greater fairness and efficiency, provided it is backed by credible compliance mechanisms and forms part of a wider political agreement on taxation.

One avenue for discussion would be the introduction of minimum standards on property taxation that would apply to individuals with wealth above a certain threshold, which could be adjusted for variations in property values across Member States. A relatively low threshold could broaden the tax base but might raise liquidity concerns for households that are 'asset rich but income poor', such as retirees whose main wealth is tied up in housing. A higher asset threshold would primarily target very high-net-worth individuals but it could also increase incentives to avoid the tax if the applicable rate is perceived as too high.¹⁶¹

Such a framework would not necessarily require Member States to apply common maximum rates. Rather, it could require them to impose a property tax at or above a common minimum effective rate, which could limit the persistence of zero- or near-zero taxation of high-value real estate. A central element could be some convergence in valuation methods, so that property is assessed on a more comparable basis across jurisdictions. This could be done, for instance, by utilising updated cadastral values or market-value benchmarks. Better-aligned valuation practices could narrow opportunities for arbitrage and improve the comparability of property taxation across the Union.

More generally, EU could develop guidelines on the taxation of assets like gifts and inheritances. The goal would be to reduce the incentives for high-net-worth individuals to relocate within the Union solely to take advantage of more favourable tax treatment. This does not have to involve setting rates at the EU level; instead, it could concentrate on outlining common principles and best practices, leveraging the EU's experience in harmonising corporate tax standards. Over time, a combination of benchmarking, peer reviews and political pressure may help reinforce the idea that the benefits of free movement within the single market are aligned with generally comparable contributions to public finances among those at the top of the wealth distribution.

A more far-reaching – but still optional – approach could be the creation of an EU-wide regime, akin to a '28th regime', that Member States could choose to adopt for taxing individuals above a specified net wealth threshold. This framework could provide common rules for valuing financial and non-financial assets, standardised exemptions and thresholds, and shared enforcement mechanisms (for example, joint audits and a restricted-access EU register of high-net-worth individuals used only for tax enforcement and anti-evasion purposes).¹⁶² Such a register could draw on the logic of the Register of Beneficial Ownership (RBO) under the Anti-Money Laundering Directive (AMLD), along

¹⁶¹ Article 115 TFEU could be used as a legal basis for introducing such minimum standards, insofar as differences in the taxation of high-value real estate at the top end of the wealth distribution are shown to distort the functioning of the internal market. Any such measure would still need to satisfy subsidiarity and proportionality (i.e. that coordination at EU level is necessary and that the measure goes no further than required), and would require unanimous agreement in the Council. In addition, the Commission and the Council would need to demonstrate that current divergences across Member States have a sufficiently significant effect on the functioning of the internal market to justify EU action. Compatibility with [Article 1 of Protocol 1](#) to the European Convention on Human Rights (ECHR) ('Protection of property') would also have to be ensured: under the case law of the European Court of Human Rights ([Shchokin v. Ukraine](#), [Sporrong and Lönnroth vs Sweden](#)), taxation is permissible provided it is lawful, pursues a legitimate public interest and does not impose an arbitrary or disproportionate burden on the taxpayer.

¹⁶² Any such register would need to comply with the [General Data Protection Regulation](#) and Articles 7 and 8 of the [Charter of Fundamental Rights of the EU](#), which protect privacy and personal data. The Court of Justice of the EU has held that making beneficial ownership registers fully and unconditionally public is disproportionate and therefore unlawful (joined cases [C-37/20](#) and [C-601/20](#), Luxembourg Business Registers). This implies that access to an EU register of high-net-worth individuals could only be granted on a restricted basis (e.g. tax authorities, Financial Intelligence Units), for clearly defined and proportionate purposes such as anti-evasion and coordinated enforcement.

with the existing cross-border information exchange between tax authorities outlined in the Directive on Administrative Cooperation (DAC).¹⁶³

By offering an optional harmonised structure, such an arrangement could respect national prerogatives while allowing participating countries to apply common rules to ultra-high-net-worth individuals. If a sufficiently large group of Member States were to participate, those common rules could, in practice, apply across a substantial part of the single market. This could make it less attractive for high-net-worth individuals to respond by shifting assets or tax residence to another Member State with lighter treatment, thereby limiting the scope for intra-EU capital flight and reducing the incentive for strategic relocation.

Regardless of the specific design of any wealth tax, enforcement capacity is likely to be decisive. EU-level policy could therefore focus on extending the DAC to cover additional asset classes – including luxury goods, art and yachts – and ensuring automatic information exchange on such holdings. Closer coordination with anti-money-laundering instruments, in particular the RBOs, could further strengthen transparency. In parallel, EU-funded technical assistance could help reinforce administrative capacity in Member States that currently face enforcement constraints. By narrowing compliance gaps, such measures could reduce the risk that uneven enforcement weakens the effectiveness of wealth taxation.

7.3. Cryptoassets taxation

Cryptoassets are inherently mobile, digital and volatile, which creates unique challenges for taxation. Their cross-border nature and the diversity of national tax regimes have opened up substantial loopholes. In some Member States crypto gains are effectively untaxed, while in others they are taxed at relatively high marginal rates. This fragmentation may encourage arbitrage, erode national tax bases and sustain high levels of non-compliance, particularly where enforcement capacity is weaker. It also raises a perceived fairness issue: if traditional financial assets are generally subject to capital gains taxation, but comparable speculative gains in crypto are sometimes treated more lightly or not taxed at all, this can distort the allocation of capital and may erode trust in the perceived fairness of the tax system.

At the same time, the rapid expansion of the cryptoassets market suggests that it has become a fiscally relevant – albeit highly volatile – potential revenue source. These features point to a possible case for more coordinated action at EU level to promote greater consistency of treatment, close gaps that result in de facto non-taxation and support more effective enforcement across Member States.

The principle of equivalence in 'second-generation' fiscal federalism is typically understood to mean aligning the level of decision-making with the level at which the underlying economic activity (or

¹⁶³ Under the [AMLD](#), beneficial ownership information in national registers is available to i) competent authorities and Financial Intelligence Units without restriction; ii) obliged entities, for customer due diligence purposes; and iii) other persons or entities demonstrating a legitimate interest. By analogy, an EU register of high-net-worth individuals would not be public. Rather, it could operate as a controlled supervisory tool, allowing tax administrations and enforcement authorities in participating Member States to exchange information, identify potentially suspicious patterns and coordinate audits. This would build on existing administrative cooperation channels in taxation (DAC), which already permits automatic and spontaneous exchange of taxpayer information between Member States.

externality) actually arises.¹⁶⁴ In practical terms: if a tax base is structurally cross-border, then coordination may also need to be cross-border. Crypto appears to fit this description. It sits within a core EU policy area (the digital economy), it is highly mobile, and it is not meaningfully contained by national borders. Even though tax collection remains a national competence, this logic suggests that some coordination of rules at EU level could reduce fragmentation and arbitrage. One pragmatic way forward could be an 'experimental' common framework that draws on the most effective existing national practices rather than replacing them outright.

A first step could be full and uniform implementation of DAC8, aligned with the OECD's Crypto-Asset Reporting Framework (CARF). DAC8 is intended to require cryptoassets service providers to supply transaction-level data to tax administrations, and for that data to be exchanged automatically across Member States. In principle, this approach could also extend to third-country exchanges offering services to EU residents, with compliance made a condition of market access in the single market. Without such a requirement, the ease of shifting activity to offshore platforms would remain an obvious channel for non-reporting. Whether and how such an access condition could be enforced in practice would depend on future legislative design and on the EU's ability to make market access conditional on cooperation.

A second, complementary step could be to explore an EU-wide minimum floor rate for the taxation of realised cryptoassets capital gains. This would be similar in concept to the global minimum effective tax rate for multinationals agreed at OECD level in 2023. The detailed structure would remain nationally flexible: Member States could continue to decide whether crypto gains fall under personal income tax, capital gains tax, corporate tax in certain cases, or a stand-alone regime. The common element would be a minimum effective rate below which taxation could not fall. Such a floor could limit de facto zero-tax treatment of crypto gains, promote more consistent loss treatment, and reduce incentives for taxpayers to change residence within the Union purely for crypto tax reasons. Any such common floor would, however, raise questions of legal feasibility (e.g. Treaty base, unanimity in Council) and would likely require strong political agreement.

Third, enforcement capacity could be reinforced through shared data infrastructure. One option would be to consider a centralised EU repository for crypto transactions, conceptually similar to the trade repositories used under the European Market Infrastructure Regulation (EMIR) for derivatives. Such a hub could aggregate data reported by exchanges and other service providers and make relevant information available, in near real time, to national tax administrations. This type of infrastructure could, in principle, allow administrations with more limited digital capacity to benefit from higher-quality monitoring tools without recreating the full system domestically, and support more consistent application of reporting and audit practices across borders. In parallel, the EU could intensify coordinated action vis-à-vis third-country jurisdictions and platforms that facilitate opacity or non-reporting. Collective leverage at EU level may be more credible than fragmented bilateral engagement by individual Member States.

Finally, a central conclusion of this study is that cryptoassets taxation is unlikely to function effectively unless compliance tools are tightened alongside any convergence in tax treatment. Possible measures could include expanding the scope of joint audits for cross-border crypto

¹⁶⁴ B. Weingast, [Second Generation Fiscal Federalism: Implications for Decentralized Democratic Governance and Economic Development](#), SSRN Electronic Journal, 2007.

transactions; clarifying and extending explicit reporting obligations to crypto-to-crypto trades and stablecoin transactions (not only crypto-to-fiat conversions); and deepening cooperation with international bodies such as the OECD and the FATF to monitor third-country platforms. Together, these steps could help reduce currently high non-compliance rates and bring enforcement capacity more in line with the size and cross-border nature of the cryptoassets market.

7.4. Digitalisation of tax administration

Digitalisation has become a central feature of modern tax administration, offering tools that could both ease compliance for taxpayers and strengthen enforcement against evasion. Well-designed digital systems – such as e-invoicing, real-time reporting and pre-filled tax returns – may reduce administrative costs, improve accuracy and support trust between authorities and taxpayers. However, adoption across the EU remains uneven. Some Member States have developed advanced digital ecosystems that lower compliance burdens and enhance efficiency, while others continue to rely more heavily on paper-based processes or fragmented IT infrastructure. This digital divide could translate into asymmetries in tax gaps, compliance costs and overall taxpayer experience within the single market. The single digital gateway (SDG) has emerged as an important initiative in reducing administrative burdens and advancing the single market; extending the SDG to more tax-related areas could reinforce this effect.¹⁶⁵

At the same time, increasing digitalisation of tax processes may create new practical barriers to cross-border activity (for example, if national e-invoicing systems or reporting platforms are not interoperable). Where such barriers to the functioning of the single market were shown to arise, the European Parliament could argue for targeted EU legislation to reduce them. In the absence of greater alignment, taxpayers operating in, or from, less digitalised systems may face higher compliance burdens and weaker enforcement environments. This, in turn, could undermine perceived fairness across the Union and leave scope for evasion or avoidance strategies to persist. A tentative implication of this study is that establishing a common baseline of digital capacity at EU level could help ensure that all Member States benefit from digitalisation, while fostering the interoperability needed for effective cross-border cooperation.

One possible avenue would be to introduce EU-wide minimum requirements for core digital tax services, so that all Member States offer taxpayers basic functionalities such as online filing, secure digital payment channels and electronic communication with the administration. Such requirements could in principle be anchored in an EU instrument setting baseline expectations for accessibility, security and interoperability. This type of framework would not prevent Member States from going further or innovating beyond the baseline, but it could help guarantee a minimum level of service quality across the Union and narrow disparities in taxpayer experience.

To accelerate convergence around e-invoicing and real-time reporting, a structured programme of mutual learning could be useful, drawing on systems already implemented in several Member States. Over time, this could support the emergence of more harmonised EU technical standards (for example, common data formats for e-invoices, minimum scope of mandatory reporting, and

¹⁶⁵ J. Pelkmans, [Empowering the Single Market: A 10-point plan to revive and deepen it](#), Centre for European Policy Studies, Brussels, 2024.

interoperability requirements for cross-border transactions). Such convergence could lower compliance costs for firms operating in multiple jurisdictions and, at the same time, improve tax administrations' ability to detect fraud and address tax gaps in a more coordinated way. Any movement in this direction would, however, need to take into account data protection, cybersecurity and administrative proportionality.

To narrow the digital divide(s) among Member States, the EU could also consider investing in shared infrastructure and providing targeted financial and technical assistance. One option could be an EU-level digital platform, offered on an opt-in basis, that supplies cloud-based solutions to tax administrations with more limited in-house IT capacity. Related support could be channelled through existing EU funding instruments, helping national tax authorities modernise their systems, train staff and experiment with advanced tools (for example, data analytics or blockchain-based reporting). Such measures could, in principle, help raise the floor on administrative capacity without requiring full institutional harmonisation.

7.5. Reducing tax compliance burdens

Tax compliance costs are not only a financial issue but also a matter of administrative complexity, and they tend to impact SMEs, cross-border operators and individuals without access to sophisticated tax advice more severely. Excessive reporting requirements, unclear guidance and frequent rule changes may discourage voluntary compliance, influence business decisions and weaken competitiveness within the single market. While digitalisation has in some cases helped reduce these burdens, the persistence of divergent procedures and fragmented reporting obligations across Member States suggests that simplification is likely to remain an important priority.

In the absence of further convergence, taxpayers are likely to continue facing uneven costs and uncertainty depending on where they operate, which can create perceived unfairness and reduce the overall efficiency of the single market. EU-level coordination could play a supporting role by promoting greater alignment in administrative practices, reducing duplication in requirements across jurisdictions and helping to ensure that taxpayers face a more predictable environment across the Union. Reducing compliance costs in this manner could play a significant role in the broader EU simplification agenda. It may also help prevent compliance costs and procedural hurdles themselves from becoming obstacles to doing business across borders. There is a potential for what has sometimes been described as 'efficiency value added' at EU level in this area, but there is also a risk that differences in compliance processes and documentation requirements could start to influence where investment is located – an outcome which would contradict the concept of a truly integrated single market.

A first possible step would be to simplify and, where appropriate, standardise certain reporting obligations, particularly for businesses operating across borders. This could include working towards greater alignment of filing deadlines, formats for tax returns and supporting documentation, and reducing duplicative requirements that currently vary by jurisdiction. Progress towards a 'once-only' principle in tax reporting – whereby taxpayers would not need to submit the same information multiple times to different authorities – could, in principle, lower administrative burdens significantly, especially for SMEs and other mobile taxpayers.

A second avenue could be to encourage wider use of pre-filled and standardised tax returns, building on existing national practice. Pre-filled systems, already in operation in several Member States, appear to lower costs for taxpayers and improve compliance by reducing unintentional errors. EU coordination could focus on facilitating mutual learning, developing common design principles or templates, and supporting more systematic data flows between tax administrations and third parties (for example, employers or financial institutions), while respecting data protection and proportionality requirements. Over time, this could help ensure that taxpayers across the Union benefit from a broadly comparable degree of simplification.

Finally, the EU could consider establishing benchmarks and a monitoring framework for compliance costs, similar in spirit to how the VAT Gap is tracked. Such a framework could measure, in a comparable way, the time required to comply with tax obligations, the direct financial costs of compliance and the complexity of procedures across Member States. Publishing these indicators would make the burden of compliance more transparent, help identify where it is highest, and highlight which reforms are most effective. Linking this type of benchmarking exercise to existing coordination tools (for example, the European Semester) could draw political attention to simplification and facilitate the spread of good administrative practices.

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Annexes

The annexes provide supporting material for the analysis in this report. They include comparative tax data, survey evidence from national authorities, and a methodological note on how quantitative estimates (including revenue simulations) were constructed.

Annex 1 – Data sources and supplementary data

This annex compiles comparative reference data used in the analysis. It brings together statutory tax rates on inheritance, gifts and real estate, revenue from recurrent property taxation, and indicators on the digitalisation of tax administrations across EU Member States.

Table 14 – Inheritance tax rates

| Country | Tax | Tax rates | |
|----------|---|-------------|--------------|
| | | Lowest rate | Highest rate |
| Austria | - | - | |
| Belgium | Inheritance tax spouse, children, grandchildren, parents | 3 % | 30 % |
| | Inheritance tax siblings | 20 % | 65 % |
| | Inheritance tax other heirs | 35 % | 80 % |
| Bulgaria | Inheritance tax siblings and their children | 0.4 % | 0.8 % |
| | Inheritance tax other heirs | 3.3 % | 6.6 % |
| Croatia | Inheritance tax for spouse, descendants, ancestors | 0 % | |
| | Inheritance tax other heirs | 4 % | |
| Cyprus | - | - | |
| Czechia | - | - | |
| Denmark | Inheritance tax spouse | 0 % | |
| | Inheritance tax children, descendants, stepchildren, stepchildren's descendants, parents, cohabitants (minimum 2 years) | 15 % | |
| | Inheritance tax other heirs | 36.25 % | |
| Estonia | - | - | |
| Finland | Inheritance tax direct heirs | 7 % | 19 % |
| | Inheritance tax other heirs | 19 % | 33 % |

| Country | Tax | Tax rates | |
|---------|--|---|---------------------------|
| | | Lowest rate | Highest rate |
| France | Inheritance tax direct child or parent | 5 % (€100 000 rebate) | 45 % (€100 000 rebate) |
| | Inheritance tax sibling | 35 % (€15 932 rebate) | 45 % (€15 932 rebate) |
| | Inheritance other heirs | 55 % | 60 % |
| Germany | Inheritance tax spouse | 7 % (€500 000 exemption) | 30 % (€500 000 exemption) |
| | Inheritance tax children, grandchildren | 7 % (€400 000 exemption) | 30 % (€400 000 exemption) |
| | Inheritance tax siblings and their children | 15 % (€20 000 exemption) | 43 % (€20 000 exemption) |
| | Inheritance tax other heirs | 30 % (€20 000 exemption) | 50 % (€20 000 exemption) |
| Greece | Inheritance tax spouse, children, grandchildren, parents | 1 % (€150 000 exemption) | 10 % (€150 000 exemption) |
| | Inheritance tax great-grandchildren, grandparents, great-grandparents, siblings. | 5 % (€30 000 exemption) | 20 % (€30 000 exemption) |
| | Inheritance other heirs | 20 % (€6 000 exemption) | 40 % (€6 000 exemption) |
| Hungary | Inheritance for spouse and direct relatives | 0 % | |
| | Inheritance tax other heirs | 9 % (applicable to acquisition of residential property) | 18 % |
| Ireland | Inheritance tax spouse or civil partner | 0 % | |
| | Inheritance tax child, step-foster, minor grandchild, parent etc. | 33 % (€335 000 exemption) | |
| | Inheritance tax parent of disponent, siblings, child of siblings | 33 % (€32 500 exemption) | |
| | Inheritance tax others | 33 % (€16 250 exemption) | |
| Italy | Inheritance tax spouse and direct line relatives | 4 % (€1 million exemption) | |
| | Inheritance tax sister and brother | 6 % (€100 000 exemption) | |
| | Inheritance tax other family members up to fourth generation | 6 % | |
| | Inheritance tax other heirs | 4 % | 8 % |

| Country | Tax | Tax rates | |
|-------------|--|---------------------------|--|
| | | Lowest rate | Highest rate |
| Latvia | - | - | |
| Lithuania | Inheritance tax spouse, child, parents, custodian, grandparent, grandchild, sibling | 0 % | |
| | Inheritance tax other heirs | 5 % (below €150 000) | 10 % (exceeding €150 000) |
| Luxembourg | Inheritance tax for direct line (ascending or descending) | 0 % | 5 % (applicable only to extra-legal portions) |
| | Inheritance tax spouse or civil partner | 0 % | |
| | Inheritance tax siblings | 6 % | 15 % (applicable only to extra-legal portions) |
| | Inheritance tax uncles, aunts, nephews, nieces, adopter and adoptee | 9 % | 15 % (applicable only to extra-legal portions) |
| | Inheritance tax great-uncles, great-aunts, great-nephews, great-nieces, adopter and descendants of adopter | 10 % | 15 % (applicable only to extra-legal portions) |
| | Inheritance tax other heirs | 15 % | 15 % (applicable only to extra-legal portions) |
| Malta | - | - | |
| Netherlands | Inheritance tax spouse, registered partner or cohabiting partner | 10 % (€804 698 exemption) | 20 % (€804 698 exemption) |
| | Inheritance tax child, foster child, stepchild | 10 % (€25 490 exemption) | 20 % (€25 490 exemption) |
| | Inheritance tax grandchildren | 18 % (€25 490 exemption) | 36 % (€25 490 exemption) |
| | Inheritance tax parent | 30 % (€60 359 exemption) | 40 % (€60 359 exemption) |
| | Inheritance tax other heirs | 30 % (€2 690 exemption) | 40 % (€2 690 exemption) |
| Poland | Inheritance tax spouse, children, grandchildren, great-grandchildren, parents, grandparents, great-grandparents, stepchild, siblings | 3 % (€2 260 exemption) | 7 % (€2 260 exemption) |
| | Inheritance tax siblings' descendants, aunts, uncles | 7 % (€1 710 exemption) | 12 % (€1 710 exemption) |

| Country | Tax | Tax rates | |
|----------|---|-------------------------|-------------------------|
| | | Lowest rate | Highest rate |
| | Inheritance tax other heirs | 12 % (€1 150 exemption) | 20 % (€1 150 exemption) |
| Portugal | Stamp duty for inheritance | 10 % flat rate | |
| Romania | - | - | |
| Slovakia | - | - | |
| Slovenia | Inheritance tax Second order (parents, brothers, sisters and their descendants) | 5 % | 14 % |
| | Inheritance tax Third order (grandfathers and grandmothers) | 8 % | 17 % |
| | Inheritance tax other heirs | 12 % | 39 % |
| Spain | Inheritance tax | 7.65 % | 34 % |
| Sweden | - | - | |

Notes: The tax rates shown indicate the lowest and highest statutory rates applicable to individuals under national inheritance regimes. They are intended to provide a broad comparative overview and do not fully reflect all conditions, exemptions, thresholds, valuation rules, special reliefs (e.g. for business assets), or family-relationship distinctions that may apply in each Member State. A dash ('-') indicates that no inheritance tax is levied. The heir categories listed in the table are not exhaustive; in some cases, additional categories exist or are captured under 'other heirs'. Accordingly, the figures should be interpreted as indicative ranges rather than precise effective tax burdens.

Source: Authors' elaboration based on national governmental sources, [EY \(2025\) Worldwide Estate and Inheritance Tax Guide](#), and [PwC Tax Summaries](#).

Table 15 – Gift tax rates

| Country | Tax | Tax rates | |
|----------|---|--------------------------|-------------------------------|
| | | Lowest rate | Highest rate |
| Austria | - | - | |
| Belgium | Gift tax on movable property | 3 % | 7 % |
| | Gift tax on immovable property direct line or family gift tax | 3 % | 27 % |
| | Gift tax on immovable property other heirs | 10 % | 40 % |
| Bulgaria | Gift tax siblings and their children | 0.4 % | 0.8 % |
| | Gift tax other heirs | 3.3 % | 6.6 % |
| Croatia | Gift tax for spouse, descendants, ancestors | 0 % | |
| | Gift tax other | 4 % | |
| Cyprus | - | - | |
| Czechia | - | - | |
| Denmark | Gifts to descendants | 0 % (€10 300 exemption) | 15 % (if value above €10 300) |
| | Gifts to other heirs ⁽¹⁾ | 22 % | 52.07 % |
| Estonia | - | - | |
| Finland | Gift tax direct heirs | 8 % | 17 % |
| | Gift tax other heirs | 19 % | 33 % |
| France | Gift tax direct child or parent | 5 % (€100 000 rebate) | 45 % (€100 000 rebate) |
| | Gift tax sibling | 35 % | 45 % |
| | Gift tax others | 55 % | 60 % |
| Germany | Gift tax spouse | 7 % (€500 000 exemption) | 30 % (€500 000 exemption) |
| | Gift tax child, grandchildren | 7 % (€400 000 exemption) | 30 % (€400 000 exemption) |
| | Gift tax siblings and their children | 15 % (€20 000 exemption) | 43 % (€20 000 exemption) |
| | Gift tax other heirs | 30 % (€20 000 exemption) | 50 % (€20 000 exemption) |
| Greece | Gift tax on child | 1 % (€800 000 exemption) | 10 % (€800 000 exemption) |
| | Gift tax on great grandchildren, grandparents, siblings | 5 % (€30 000 exemption) | 20 % (€30 000 exemption) |

| Country | Tax | Tax rates | |
|------------|--|---|-------------------------|
| | | Lowest rate | Highest rate |
| | Gift tax other heirs | 20 % (€6 000 exemption) | 40 % (€6 000 exemption) |
| Hungary | Gift tax to spouse and direct relatives | 0 % | |
| | Gift tax others | 9 % (applicable to acquisition of residential property) | 18 % |
| Ireland | Gift tax spouse or civil partner | 0 % | |
| | Gift tax children | 33 % (€335 000 exemption) | |
| | Gift tax siblings, lineal ancestors and descendant | 33 % (€32 500 exemption) | |
| | Gift tax others | 33 % (€16 250 exemption) | |
| Italy | Gift tax spouse and direct line relative | 4 % (€1 million exemption) | |
| | Gift tax sister and brother | 6 % (€100 000 exemption) | |
| | Gift tax other family members up to fourth generation | 6 % | |
| | Gift tax others | 4 % | 8 % |
| Latvia | - | - | |
| Lithuania | - | - | |
| Luxembourg | Gift tax movable and immovable assets direct line | 1.8 % | 2.4 % |
| | Gift tax movable and immovable assets spouse and civil partners | 4.8 % | |
| | Gift tax movable and immovable assets siblings | 6 % | |
| | Gift tax movable and immovable assets uncles, aunts, nephew, niece, father-in law, mother-in law, son in law, daughter in law, great-uncles, great-aunt, great nephew, great niece | 8.4 % | 9.6 % |
| | Gift tax movable and immovable assets more distant relatives and unrelated individuals | 14.4 % | |
| Malta | - | - | |

| Country | Tax | Tax rates | |
|-------------|---|-------------------------|-------------------------|
| | | Lowest rate | Highest rate |
| Netherlands | Gift tax partner and (foster) children | 10 % | 20 % |
| | Gift tax grandchildren and further descendants | 18 % | 36 % |
| | Gift tax other beneficiaries | 30 % | 40 % |
| Poland | Gift tax spouse, ascendants, descendants, stepchild, step-parents, siblings | 3 % (€2 264 exemption) | |
| | Gift tax siblings' descendants, stepchildren etc. | 7 % (€1 710 exemption) | 12 % (€1 710 exemption) |
| | Gift tax others | 12 % (€1 151 exemption) | 20 % (€1 151 exemption) |
| Portugal | Stamp duty for gifts | 10 % flat rate | |
| Romania | - | - | |
| Slovakia | - | - | |
| Slovenia | Gift tax first order of inheritance | 0 % | |
| | Gift tax second order of inheritance (parents, brothers, sisters and their descendants) | 5 % | 14 % |
| | Gift tax third order of inheritance (grandfathers and grandmothers) | 8 % | 17 % |
| | Gift tax others | 12 % | 39 % |
| Spain | Gift tax | 7.65 % | 34 % |
| Sweden | - | - | |

Notes: The tax rates shown indicate the lowest and highest statutory rates applicable to individual recipients of gifts under national regimes. They are intended to provide a broad comparative overview and do not fully reflect all conditions, exemptions, valuation rules, relationship-based reliefs or thresholds that may apply in each Member State. A dash ('-') indicates that no gift tax is levied. The heir/beneficiary categories listed in the table are not exhaustive; in some cases, additional categories exist or are captured under 'gift tax others'. Accordingly, the figures should be interpreted as indicative ranges rather than precise effective tax burdens.

⁽¹⁾ Taxed to the same rate as personal income tax.

Source: Authors' elaboration based on national governmental sources, [EY \(2025\) Worldwide Estate and Inheritance Tax Guide](#), and [PwC Tax Summaries](#).

Table 16 – Real estate tax rate

| Country | Tax | Tax rates | |
|------------|--|---|---|
| | | Lowest rate | Highest rate |
| Austria | Real estate tax (Grundsteuer) | 0.1 % | 1 % |
| Belgium | Real estate tax (Précompte immobilier) | 1.25 % of the cadastral value. | 3.97 % ⁽¹⁾ of the cadastral value. |
| Bulgaria | Real estate tax (Данък върху недвижимите имоти) | 0.01 % | 0.45 % |
| Croatia | Real estate tax on primary homes | 0 % | |
| | Real estate tax on secondary homes ⁽²⁾ | €0.60/m ² | €8.00/m ² |
| Cyprus | - | - | |
| Czechia | Real estate tax (Daň z nemovitých věcí) | €0.14/m ² | €0.74/m ² |
| Denmark | Property value tax | 0.51 % (up to €1 232 583) | 1.40 % (above €1 232 583) |
| Estonia | Land tax (Maamaks) | 0.10 % | 1.00 % |
| Finland | Real estate tax (Kiinteistövero) | 0.41 % | 2.00 % |
| France | Property tax (taxe foncière sur les propriétés bâties) | Tax rates are defined by the local government. The tax base for the tax is equal to half of the cadastral rental value. | |
| | Land tax (Taxe foncière sur les propriétés non-bâties) | Tax rates are defined by the local government. The tax base for the tax is equal to the cadastral rental value (with 20 % rebate) | |
| | Tax on market value | 3 % on property market value | |
| Germany | Real estate tax (Grundsteuer) | 0.26 % | 1 % |
| Greece | Unified Property Tax (ENFIA), Municipality Duty (Telos Akinitis Periousias) ⁽³⁾ | €2.00/m ² + 0.025 % | €16.20/m ² + 0.035 % |
| Hungary | Building tax (Építményadó), Land tax, Communal tax | 0 % | 3.60 % |
| Ireland | Local Property Tax ⁽⁴⁾ | €90 | €2 721 |
| Italy | Real estate tax (Imposta Municipale Unica) ⁽⁵⁾ | 0.4 % | 0.8 % |
| Latvia | Real estate tax | 0.2 % of cadastral value (Up to €56 915) | 0.6 % of cadastral value (Above €106 715) |
| Lithuania | Real estate tax (RET) | 0.5 % (if above €150 000) | 3.0 % |
| Luxembourg | Property tax (Impôt foncier) | Tax base ⁽⁶⁾ x communal rate ⁽⁷⁾ | |

| Country | Tax | Tax rates | |
|-------------|---|--|---|
| | | Lowest rate | Highest rate |
| Malta | - | - | |
| Netherlands | Property tax (OZB) | 0.0641 % (residential property owner) | 0.3034 % (owner non-residential property) |
| Poland | Property tax (Podatek od nieruchomości) | €0.27/m ² of usable area (residential property) | |
| Portugal | Municipal Property Tax ('Imposto Municipal sobre Imóveis' or IMI) | 0.3 % (Urban property) | 7.5 % (acquisition of property in 'prohibited list' jurisdiction) |
| Romania | Tax on residential buildings | 0.1 % | 0.2 % |
| | Tax on non-residential buildings | 0.5 % | 1.3 % |
| Slovakia | Real estate tax (Daň z nehnuteľností) | €0.033/m ² (for buildings) | |
| Slovenia | Property tax | 0.1 % | 1 % |
| Spain | Real estate tax (Impuesto sobre Bienes Inmuebles – IBI) | 0.3 % (rural property) | 1.3 % (special properties) |
| Sweden | Municipal property charge (Fastighetsavgift) | Up to €865 or 0.75 % of the assessed value for single-family residence | |

Notes: The tax rates shown indicate the lowest and highest statutory rates applicable to individuals under national or local real estate/property tax regimes. They are intended to provide a broad comparative overview and do not fully reflect all conditions, exemptions, valuation rules (e.g. cadastral vs market value), surcharges, or municipal rate-setting practices that may apply in each jurisdiction. A dash ('-') indicates that no recurrent real estate tax is levied at the national level. Different rates may apply to specific property categories (primary residence, secondary residence, commercial property, land). Accordingly, the figures should be interpreted as indicative ranges rather than precise effective tax burdens. ⁽¹⁾ An additional rate is calculated at local level (municipal) and added on top ('centimes additionnels'). ⁽²⁾ Croatia introduced a new tax system from 1 January 2025, where a tax is based on the usable floor area of the property considered to be residential. ⁽³⁾ If the real estate is insured and worth less than €500 000, a 20 % reduction is applied. If the value of the real estate exceeds €500 000, a 10 % reduction is applied. ⁽⁴⁾ Local authorities can increase or decrease the rate by up to 15 %. ⁽⁵⁾ Local authorities can increase the basic rate up to 1.06 %. ⁽⁶⁾ The tax base is composed by the unitary value multiplied by the assessment rate. The latter ranges between 0.7 % and 1 %. ⁽⁷⁾ The communal rate is set by the municipalities, and it varies based on the type of property and the location. It ranges from 200 % to 400 %.

Source: Authors' elaboration based on national governmental sources, [EY \(2025\) Worldwide Estate and Inheritance Tax Guide](#), and [PwC Tax Summaries](#).

Table 17 – Real estate tax rate (transfer)

| Country | Tax | Tax rates | |
|-------------|--|--|-----------------------------------|
| | | Lowest rate | Highest rate |
| Austria | Real estate transfer tax (Grunderwerbsteuer) | 0.5 % (for the initial €250 000) | 3.5 % |
| Belgium | Registration fee (Droit d'enregistrement) | 2 % ⁽¹⁾ | 12.5 % |
| Bulgaria | Real Estate Transfer Tax | 0.1 % | 3 % |
| Croatia | Real estate transfer tax | 3 % | |
| Cyprus | Property transfer fee | 3 % | 8 % |
| | Stamp duty | 0.15 % (for value above €5 001 and below €170 000) | 0.2 % |
| Czechia | - | - | |
| Denmark | Stamp duty on real estate | €247 + 0.6 % of acquisition cost | €247 + 1.45 % of acquisition cost |
| Estonia | - | - | |
| Finland | Real estate transfer tax (Varainsiirtovero) | 3 % | |
| France | Real estate transfer tax (droits d'enregistrement) | 5.8 % | 6.3 % |
| Germany | Real estate transfer tax (Grunderwerbsteuer) | 3.5 % | 6.5 % |
| Greece | Real estate transfer tax (Φόρος Μεταβίβασης Ακινήτου) | 3 % (up to 3.09 % with municipality subcharge) | |
| Hungary | Real Estate Transfer Tax (Visszterhes vagyónáruházási illeték) | 2 % | 4 % |
| Ireland | Stamp duty | 1 % (up to €1.5 million) | 6 % ⁽²⁾ |
| Italy | Registration tax | 2 % | 9 % |
| Latvia | Property transfer tax | 1 % | 3.75 % |
| Lithuania | - | - | |
| Luxembourg | Registration duty | 7 % | 10 % |
| Malta | Stamp duty | 2 % | 12 % |
| Netherlands | Real estate transfer tax | 2 % (primary residency) | 10.4 % |
| Poland | Real estate transfer tax | 2 % | |

| Country | Tax | Tax rates | |
|----------|--|----------------------|--|
| | | Lowest rate | Highest rate |
| Portugal | Real estate transfer tax | 5 % (rural property) | 10 % (acquisition of property in 'prohibited list' jurisdiction) |
| Romania | - | - | - |
| Slovakia | - | - | - |
| Slovenia | Property Transfer Tax | 2 % | |
| Spain | Real estate transfer tax (Impuesto de Transmisiones Patrimoniales) | 4 % | 13 % |
| Sweden | Stamp duty on individuals | 1.25 % | |

Notes: The tax rates shown indicate the lowest and highest statutory rates applicable to individuals on transfers of real estate. They are intended to provide a broad comparative overview and do not fully reflect all conditions, exemptions, thresholds, valuation rules, surcharges, or regional/municipal variations that may apply in each jurisdiction (e.g. different treatment for primary residences, intra-family transfers, or first-time buyers). A dash ('-') indicates that no recurrent transfer tax applies. Accordingly, the figures should be interpreted as indicative ranges rather than precise effective tax burdens. ⁽¹⁾ Brussels does not apply a rate reduction but an exemption on the first €175 000 under certain conditions. ⁽²⁾ Owners pay a 15 % bulk stamp duty if they purchase 10 or more residential homes in a 12-month period.

Source: Authors' elaboration based on national governmental sources, [EY \(2025\) Worldwide Estate and Inheritance Tax Guide](#), and [PwC Tax Summaries](#).

Table 18 – Revenue from recurrent taxes on immovable property (in % of GDP)

| Country | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------|------|------|------|------|------|------|
| Austria | 0.19 | 0.18 | 0.2 | 0.19 | 0.18 | 0.17 |
| Belgium | 1.23 | 1.27 | 1.3 | 1.22 | 1.17 | 1.27 |
| Bulgaria | 0.3 | 0.28 | 0.28 | 0.28 | 0.23 | 0.22 |
| Croatia | 0.65 | 0.67 | 0.66 | 0.64 | 0.57 | 0.51 |
| Cyprus | 0.26 | 0.27 | 0.24 | 0.18 | 0.17 | 0.16 |
| Czechia | 0.2 | 0.19 | 0.2 | 0.19 | 0.18 | 0.16 |
| Denmark | 1.96 | 1.97 | 2.01 | 1.82 | 1.67 | 1.71 |
| Estonia | 0.22 | 0.21 | 0.21 | 0.19 | 0.16 | 0.15 |
| Finland | 0.78 | 0.78 | 0.82 | 0.79 | 0.77 | 0.77 |
| France | 3.13 | 2.99 | 3 | 2.29 | 2.22 | 2.03 |
| Germany | 0.41 | 0.41 | 0.43 | 0.41 | 0.39 | 0.37 |
| Greece | 2.63 | 2.41 | 2.52 | 2.35 | 2.14 | 1.97 |
| Hungary | 0.47 | 0.43 | 0.43 | 0.4 | 0.34 | 0.33 |
| Ireland | 0.57 | 0.53 | 0.32 | 0.37 | 0.39 | 0.43 |
| Italy | 1.39 | 1.38 | 1.47 | 1.4 | 1.31 | 1.25 |
| Latvia | 0.79 | 0.77 | 0.76 | 0.7 | 0.64 | 0.61 |
| Lithuania | 0.29 | 0.29 | 0.29 | 0.29 | 0.28 | 0.29 |
| Luxembourg | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| Malta | 0 | 0 | 0 | 0 | 0 | 0 |
| Netherlands | 0.86 | 0.82 | 0.89 | 0.84 | 0.69 | 0.59 |
| Poland | 1.13 | 1.09 | 1.12 | 1.05 | 0.97 | 0.99 |
| Portugal | 0.8 | 0.79 | 0.81 | 0.74 | 0.66 | 0.61 |
| Romania | 0.53 | 0.51 | 0.5 | 0.51 | 0.46 | 0.42 |
| Slovakia | 0.41 | 0.4 | 0.46 | 0.46 | 0.43 | 0.41 |
| Slovenia | 0.49 | 0.49 | 0.51 | 0.48 | 0.46 | 0.44 |
| Spain | 1.17 | 1.14 | 1.25 | 1.2 | 1.06 | 0.99 |
| Sweden | 0.69 | 0.68 | 0.69 | 0.66 | 0.66 | 0.64 |

Source: European Commission – Directorate-General for Taxation and Customs Union (DG TAXUD).

Table 19 – Digitalisation-related variables derived from ISORA survey

| Variable short-name | Variable long-name |
|--------------------------------|---|
| <i>op_expenditure</i> | <i>'Operating expenditure'</i> |
| <i>inf_comm_tech_exp</i> | <i>'Information and communications technology expenditure – Derived'</i> |
| <i>total_tax_adm_FTE</i> | <i>'Total tax administration FTEs – Derived'</i> |
| <i>FTE_ICT_support</i> | <i>'FTEs by function of the tax administration-ICT support'</i> |
| <i>n_returns_CIT</i> | <i>'Total number of returns received by tax type-Corporate income tax'</i> |
| <i>n_returns_CIT_elec_pp</i> | <i>'Number of returns received by tax type and channel-Corporate income tax-Electronic returns-Partially pre-filled with income and/or expense information'</i> |
| <i>n_returns_CIT_elec_fpda</i> | <i>'Number of returns received by tax type and channel-Corporate income tax-Electronic returns-Fully pre-filled, deemed acceptance'</i> |
| <i>n_returns_CIT_elec_fpcr</i> | <i>'Number of returns received by tax type and channel-Corporate income tax-Electronic returns-Fully pre-filled, confirmation required'</i> |
| <i>n_returns_VAT</i> | <i>'Total number of returns received by tax type-Value added tax'</i> |
| <i>n_returns_VAT_elec_pp</i> | <i>'Number of returns received by tax type and channel-Value added tax-Electronic returns-Partially pre-filled with income and/or expense information'</i> |
| <i>n_returns_VAT_elec_fpda</i> | <i>'Number of returns received by tax type and channel-Value added tax-Electronic returns-Fully pre-filled, deemed acceptance'</i> |
| <i>n_returns_VAT_elec_fpcr</i> | <i>'Number of returns received by tax type and channel-Value added tax-Electronic returns-Fully pre-filled, confirmation required'</i> |
| <i>elec_comp_check</i> | <i>'Administration uses electronic compliance checks as part of returns filing process'</i> |
| <i>adm_prefill_PIT</i> | <i>'Administration pre-fills PIT returns or assessments'</i> |
| <i>adm_dev_regtransac</i> | <i>'Administration receives data from devices that register transactions'</i> |
| <i>tech_cloud</i> | <i>'Implementation and use of innovative technologies-Cloud computing'</i> |
| <i>tech_AI</i> | <i>'Implementation and use of innovative technologies-Artificial intelligence (AI), including machine learning'</i> |
| <i>tech_blockch</i> | <i>'Implementation and use of innovative technologies-Distributed ledger technology / Blockchain'</i> |
| <i>tech_RPA</i> | <i>'Implementation and use of innovative technologies-Robotics Process Automation (RPA)'</i> |
| <i>tech_API</i> | <i>'Implementation and use of innovative technologies-Application programming interfaces(APIs)'</i> |
| <i>tech_datasc</i> | <i>'Implementation and use of innovative technologies-Data science / analytics tools'</i> |
| <i>tech_DIT</i> | <i>'Implementation and use of innovative technologies-Digital identification technology (e.g. biometrics, voice identification)'</i> |
| <i>tech_virtualassist</i> | <i>'Implementation and use of innovative technologies-Virtual assistants (e.g. chatbots)'</i> |

| Variable short-name | Variable long-name |
|---------------------|---|
| tech_whole | 'Implementation and use of innovative technologies-Whole-of-government identification systems' |
| Self-generated | |
| Variable short-name | Formula |
| share_ICT | $FTE_ICT_support / total_tax_adm_FTE$ |
| share_ICT_exp | $inf_comm_tech_exp / op_expenditure$ |
| share_CIT_filled | $(n_returns_CIT_elec_pp + n_returns_CIT_elec_fpda + n_returns_CIT_elec_fpcr) / n_returns_CIT$ |
| share_VAT_filled | $(n_returns_VAT_elec_pp + n_returns_VAT_elec_fpda + n_returns_VAT_elec_fpcr) / n_returns_VAT$ |

Table 20 – Summary table on key indicators on digitalisation of tax administration

| Country | Digital tax platform | Innovative technologies | | | | | | | | |
|----------|--|-------------------------|-------------------------|-------------------------------|---------------------------------|-----------------|-----------------------------------|------------------------------------|------------|----------------------------|
| | | Virtual assistants | Artificial Intelligence | Whole-of-government ID system | Data science / Analytical tools | Cloud computing | Digital identification technology | Application programming interfaces | Blockchain | Robotic process automation |
| Austria | FinanzOnline | Yes | Yes | Yes | Yes | No | Yes | Yes | No | Yes |
| Belgium | MyMinFin | No | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Bulgaria | NRA Portal | No | Impl. | Yes | Yes | No | No | Yes | No | No |
| Croatia | eTax (ePorezna) | Yes | No | Yes | Yes | Yes | No | Yes | No | Yes |
| Cyprus | Tax For All (TFA) | No | No | No | Impl. | No | No | Impl. | No | No |
| Czechia | My Tax (Moje Daně) | No | No | Yes | Yes | No | Yes | Yes | No | No |
| Denmark | E-tax (TastSelv) | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Estonia | E-tax | Impl. | Impl. | Yes | Yes | Yes | Yes | Yes | No | No |
| Finland | MyTax (OmaVero) | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| France | Tax administration portal (impots.gouv.fr) | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Germany | ELSTER | Yes | Yes | Impl. | Yes | Impl. | No | Yes | No | Impl. |
| Greece | myDATA | Impl. | Yes | Yes | Yes | Yes | No | Yes | No | No |

| Country | Digital tax platform | Innovative technologies | | | | | | | | |
|-------------|-------------------------------------|-------------------------|-------------------------|-------------------------------|---------------------------------|-----------------|-----------------------------------|------------------------------------|------------|----------------------------|
| | | Virtual assistants | Artificial Intelligence | Whole-of-government ID system | Data science / Analytical tools | Cloud computing | Digital identification technology | Application programming interfaces | Blockchain | Robotic process automation |
| Hungary | eSZJA | No | Impl. | Yes | Yes | No | Yes | Yes | No | Yes |
| Ireland | Revenue Online Service (ROS) | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |
| Italy | Revenue Agency online services | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | No |
| Latvia | Electronic Declaration System (EDS) | Yes | Yes | Yes | Yes | No | Yes | Yes | No | Yes |
| Lithuania | i.MAS | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Luxembourg | MyGuichet.lu | Impl. | Impl. | Yes | Yes | Yes | No | Yes | No | No |
| Malta | MyTax | Yes | Yes | Yes | Yes | Yes | Impl. | Yes | No | Impl. |
| Netherlands | Mijn Belastingdienst | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Poland | e-Tax Office | Impl. | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Portugal | Portal das Finanças | Yes | Impl. | Yes | Yes | No | No | Yes | No | No |

| Country | Digital tax platform | Innovative technologies | | | | | | | | |
|----------|--|-------------------------|-------------------------|-------------------------------|---------------------------------|-----------------|-----------------------------------|------------------------------------|------------|----------------------------|
| | | Virtual assistants | Artificial Intelligence | Whole-of-government ID system | Data science / Analytical tools | Cloud computing | Digital identification technology | Application programming interfaces | Blockchain | Robotic process automation |
| Romania | Spațiul Privat Virtual (SPV) | No | Yes | No | Yes | Yes | No | Yes | No | No |
| Slovakia | eDane -Financial Administration Portal | Yes | Yes | No | Yes | No | No | Yes | No | No |
| Slovenia | eDavki portal | Impl. | Yes | Yes | Yes | Impl. | No | Yes | No | Yes |
| Spain | Agencia Tributaria Sede Electrónica | Yes | Yes | Yes | Yes | No | No | Yes | No | Yes |
| Sweden | e-service | Yes | Yes | Yes | Yes | Yes | No | Yes | No | Yes |

Notes: The indicators refer to the status in 2023, based on ISORA reporting. 'Impl.' indicates that the capability is in the process of being implemented but is not yet fully deployed. The table reflects self-reported availability of each capability and does not capture depth of use, technical maturity or coverage across all taxpayer groups.

Source: Authors' elaboration based on International Survey on Revenue Administration data (ISORA) and stakeholder survey responses.

Table 21 – Estimated results for a real estate tax applicable to wealth above €1 billion

| Country | Top convergence | |
|-------------|-----------------|--------------------------|
| | Tax rate | Est. Revenue (€ million) |
| Austria | 0.25 % | 125.3 |
| Belgium | 2.29 % | 800.9 |
| Cyprus | 0.00 % | 0.0 |
| Czechia | 0.19 % | 62.7 |
| Denmark | 2.29 % | 427.9 |
| Finland | 2.29 % | 292.9 |
| France | 2.29 % | 7 917.9 |
| Germany | 0.51 % | 1 395.9 |
| Greece | 0.59 % | 88.3 |
| Hungary | 2.29 % | 129.3 |
| Ireland | 0.28 % | 30.2 |
| Italy | 0.72 % | 766.9 |
| Latvia | 2.29 % | 64.8 |
| Luxembourg | 0.75 % | 19.5 |
| Netherlands | 0.32 % | 76.4 |
| Poland | 0.44 % | 82.5 |
| Portugal | 0.32 % | 22.9 |
| Romania | 0.75 % | 66.2 |
| Slovakia | 0.68 % | 14.2 |
| Spain | 0.44 % | 840.4 |
| Sweden | 0.38 % | 142.5 |
| Total | | 13 367.6 |

Note: The table depicts revenue estimations from a real estate tax applicable to real estate wealth above €1 billion. Status quo refers to the application of current nominal real estate tax rates. Mean convergence assumes that Member States with below-average real estate tax rates increase their rates to the EU average, while Member States above the mean maintain their current rates. Top convergence assumes that Member States within the top quartile of real estate tax rates increase their rates to the EU top rate, while all other Member States maintain their current rates.

Source: Authors' elaboration based on data from the World Inequality Database (WID), the Forbes Billionaire List, the Global Wealth Report's 2023 Databook, and Mannheim Tax Index.¹⁶⁶

¹⁶⁶ See, Spengel et al. (2025).

Annex 2 – Survey

A survey was conducted among key national competent authorities – including tax administrations and ministries of finance – to assess the current situation in EU Member States with regard to i) wealth and cryptoassets taxation, ii) the level of digitalisation of tax administration, and iii) the burden of tax compliance.

In total, 81 stakeholders were contacted across all Member States, in addition to two international organisations. In most Member States¹⁶⁷, three authorities were contacted: the Ministry of Finance, the national Tax Administration, and the fiscal attaché at the country's Permanent Representation to the EU (see Table 22). We received 23 completed questionnaires from national competent authorities in 20 different EU Member States,¹⁶⁸ as well as one response from the OECD.

Table 22 – Survey distribution overview by stakeholder

| Country | Stakeholder type | Stakeholder name | Survey sent | Completed survey |
|----------|--|--|-------------|------------------|
| Austria | Tax authority | Tax Authority Austria (FAÖ) | Yes | |
| Austria | Ministry of Finance | Bundesministerium für Finanzen | Yes | Yes |
| Austria | Permanent Representation of Austria to the EU | Financial attaché | Yes | |
| Belgium | Ministry of Finance | Federal Public Service Finance | Yes | Yes |
| Belgium | Tax authority | General Administration of Taxation | Yes | |
| Bulgaria | Tax authority | National Revenue agency | Yes | |
| Bulgaria | Permanent Representation of Bulgaria to the EU | Fiscal Attaché | Yes | Yes |
| Bulgaria | Ministry of Finance | Ministry of Finance Bulgaria | Yes | |
| Croatia | Tax authority | Tax Administration of the Republic of Croatia | Yes | Yes |
| Croatia | Ministry of Finance | Ministry of Finance of the Republic of Croatia | Yes | |
| Croatia | Permanent Representation of Croatia to the EU | Tax attaché | Yes | |
| Cyprus | Tax authority | Cyprus Tax Department | Yes | |
| Cyprus | Ministry of Finance | Ministry of Finance | Yes | |
| Cyprus | Permanent Representation of Cyprus to the EU | Customs / Fiscal Councillor | Yes | |
| Czechia | Ministry of Finance | Ministry of Finance of the Czechia | Yes | Yes |
| Czechia | Tax authority | Financial Administration | Yes | |
| Czechia | Permanent Representation of Czechia to the EU | Head of Financial and Cohesion Policy Unit | Yes | |

¹⁶⁷ In Belgium and Hungary, the number of competent authorities contacted was 2.

¹⁶⁸ The Finnish Tax Administration submitted two questionnaires, providing input from specialists in different areas (legal and IT). Italy also submitted two questionnaires, one from the national tax authority and one from the fiscal affairs attaché.

| Country | Stakeholder type | Stakeholder name | Survey sent | Completed survey |
|---------|---|---|-------------|------------------|
| Denmark | Tax authority | Danish Tax Agency (Skattestyrelsen) | Yes | |
| Denmark | Permanent Representation of Denmark to the EU | Secretary to Ambassador | Yes | |
| Denmark | Ministry of Finance | Danish Customs and Tax Administration (Skatteforvaltningen) | Yes | |
| Estonia | Tax authority | Estonian Tax and Customs Board | Yes | Yes |
| Estonia | Ministry of Finance | Ministry of Finance | Yes | |
| Estonia | Permanent Representation of Estonia to the EU | Counsellor for Taxation | Yes | |
| Finland | Tax authority | Verohallinto (Finnish Tax Administration) | Yes | Yes |
| Finland | Ministry of Finance | Ministry of Finance Finland | Yes | Yes |
| Finland | Permanent Representation of Finland to the EU | Fiscal Attaché | Yes | |
| France | Tax authority | Direction générale des Finances publiques (DGFiP) | Yes | |
| France | Ministry of Finance | Ministère de l'Économie et des Finances | Yes | |
| France | Permanent Representation of France to the EU | Fiscal Affairs Attaché | Yes | |
| Germany | Ministry of Finance | Bundesministerium der Finanzen | Yes | Yes |
| Germany | Tax authority | Federal Central Tax Office | Yes | |
| Germany | Permanent Representation of Germany to the EU | Fiscal Attaché | Yes | |
| Greece | Tax authority | Independent Authority for Public Revenue (IAPR) of the Hellenic Republic | Yes | Yes |
| Greece | Ministry of Finance | Ministry of Finance | Yes | |
| Greece | Permanent Representation of Greece to the EU | Economic and Financial Unit | Yes | |
| Hungary | Tax authority | Nemzeti Adó- és Vámhivatal (National Tax and Customs Administration) | Yes | |
| Hungary | Permanent Representation of Hungary to the EU | Economic and Financial attaché | Yes | Yes |
| Ireland | Ministry of Finance | Department of Finance | Yes | |
| Ireland | Tax authority | Revenue Commissioners | Yes | |
| Ireland | Permanent Representation of Ireland to the EU | Fiscal Affairs Attaché | Yes | |
| Italy | Ministry of Finance | Ministero dell'Economia e delle Finanze (Ministry of economy and finance) | Yes | |
| Italy | Tax authority | L'Agenzia delle Entrate | Yes | Yes |

| Country | Stakeholder type | Stakeholder name | Survey sent | Completed survey |
|-------------|---|--|-------------|------------------|
| Italy | Permanent Representation of Italy to the EU | Fiscal Affairs Attaché | Yes | Yes |
| Latvia | Tax authority | State Revenue Service of Latvia | Yes | |
| Latvia | Permanent Representation of Latvia to the EU | Tax Counsellor | Yes | Yes |
| Latvia | Ministry of Finance | Ministry of Finance of Latvia | Yes | |
| Lithuania | Ministry of Finance | Ministry of Finance of Lithuania | Yes | Yes |
| Lithuania | Tax authority | State Tax Inspectorate | Yes | |
| Lithuania | Permanent Representation of Lithuania to the EU | Fiscal Attaché | Yes | |
| Luxembourg | Ministry of Finance | Ministère des Finances | Yes | |
| Luxembourg | Permanent Representation of Luxembourg to the EU | Tax attaché | Yes | |
| Luxembourg | Tax authority | Luxembourg Inland Revenue | Yes | |
| Malta | Tax authority | Tax and Customs Administration | Yes | |
| Malta | Ministry of Finance | Ministry for Finance | Yes | |
| Malta | Permanent Representation of Malta to the EU | Fiscal Affairs Attaché | Yes | |
| Netherlands | Permanent Representation of Netherlands to the EU | Fiscal Attaché | Yes | |
| Netherlands | Tax authority | Belastingdienst | Yes | |
| Netherlands | Ministry of Finance | Ministry of Finance | Yes | |
| Poland | Tax authority | National Revenue Administration | Yes | Yes |
| Poland | Ministry of Finance | Ministerstwo Finansów | Yes | |
| Poland | Permanent Representation of Poland to the EU | Tax attaché | Yes | |
| Portugal | Tax authority | Autoridade Tributária e Aduaneira | Yes | Yes |
| Portugal | Ministry of Finance | Ministério das Finanças | Yes | |
| Portugal | Permanent Representation of Portugal to the EU | Tax attaché | Yes | |
| Romania | Ministry of Finance | Ministerul Finantelor Publice (Ministry of Public Finance) | Yes | |
| Romania | Tax authority | National Agency of Fiscal Administration (NAFA) | Yes | Yes |
| Romania | Permanent Representation of Romania to the EU | Tax attaché | Yes | |
| Slovakia | Tax authority | Financial Directorate of the Slovak Republic | Yes | |
| Slovakia | Ministry of Finance | Ministry of Finance | Yes | Yes |
| Slovakia | Permanent Representation of Slovakia to the EU | Fiscal Attaché | Yes | |

| Country | Stakeholder type | Stakeholder name | Survey sent | Completed survey |
|----------|--|--|-------------|------------------|
| Slovenia | Permanent Representation of Slovenia to the EU | Tax Counsellor | Yes | |
| Slovenia | Ministry of Finance | Ministry of Finance of Slovenia | Yes | Yes |
| Slovenia | Tax authority | Direct Taxation - Financial Administration of Slovenia | Yes | |
| Spain | Ministry of Finance | General Directorate of Taxation | Yes | Yes |
| Spain | Permanent Representation of Spain to the EU | Fiscal Affairs Attaché | Yes | |
| Spain | Tax authority | Agencia Tributaria | Yes | |
| Sweden | Tax authority | Swedish Tax Agency | Yes | Yes |
| Sweden | Permanent Representation of Sweden to the EU | Tax Counsellor | Yes | |
| Sweden | Ministry of Finance | Ministry of Finance | Yes | |
| - | OECD | OECD Centre for Tax Policy & Administration | Yes | Yes |
| - | World Bank | World Bank Global Tax Program | Yes | |

Annex 3 – Data generation approach and assumptions

This annex summarises how we constructed the quantitative estimates used in the report, including wealth and cryptoassets tax bases, projections to 2035 and the revenue simulations.

Data generation – Wealth

We obtain data on wealth brackets (in €) by country year from the [Global Wealth Tax Simulator](#) based on the World Inequality Database (WID). Bajard et al. (2025) provide details on the construction of this dataset. The data contain estimates of net wealth in 19 brackets, ranging from €100 000–200 000 up to more than €100 billion, for selected countries between 2010 and 2023. We select the available EU Member States and combine the country files into a single panel.¹⁶⁹

In addition, we collect data from the [Forbes World's Billionaires List](#) from 2010 to 2024, converting reported US\$ values into € using yearly average exchange rates. We aggregate the Forbes data by country-year into the same wealth brackets as used in the WID, with the smallest bracket starting at €500 million to €1 billion. We also use this data to calculate country-specific billionaire wealth growth from 2023 to 2024.

We then combine the two datasets and extrapolate all WID 2023 wealth bracket estimates using the observed 2023–2024 billionaire wealth growth rates from the Forbes data. This assumes that wealth grows uniformly across all wealth levels. We acknowledge that this is a simplification driven by data limitations: in reality, growth rates are likely heterogeneous across the wealth distribution. For each bracket, if the Forbes-based estimate exceeds the WID estimate, we replace the WID value with the Forbes value.

We merge the wealth data with information on asset composition from the [UBS Global Wealth Report Databook](#) (UBS, 2023).¹⁷⁰ From 2000 onwards, the databook provides estimates of the shares of financial and non-financial assets (primarily housing and land), as well as debt per adult, by country-year. We assume that these asset shares are uniform across wealth brackets and that debt is allocated pro rata between financial and non-financial assets. This is again a simplifying assumption: asset composition is known to vary with wealth (for example, lower-wealth households tend to hold proportionally more real estate, while very high-net-wealth individuals tend to hold proportionally more financial assets). Using these shares, we estimate the distribution of financial and non-financial wealth per country-year.

Finally, we aggregate wealth in the two brackets used in our model: net wealth above €1 million and net wealth above €1 billion. For each bracket we report total wealth, net financial wealth and net non-financial wealth.

To project wealth levels to 2035, we estimate a simple linear regression of wealth on time (year) for each country, wealth type, and threshold separately. This allows for country-specific linear growth trends. We then use the fitted coefficients to obtain predicted 2035 wealth levels.

¹⁶⁹ Through cross-checks with the wealth tax simulator, we corrected a minor error in the database, which reported an incorrect number of zeros for a few of the higher wealth brackets in France in 2023.

¹⁷⁰ Since 2023, UBS no longer publishes a databook accompanying their global wealth report.

Data generation – Crypto

We obtain country-level data on realised Bitcoin gains at 2020 levels (in €) from Thiemann (2024). To extrapolate these values to 2024, we collect daily Bitcoin prices since 2017 from [CoinMarketCap](#). We scale the 2020 gains by a uniform Bitcoin growth factor of 2.2; this is calculated using the closing prices on 31/12/2020 (US\$29 001.7) and 31/12/2024 (US\$93 429.2). We use year-end values as a conservative approach: using average annual closing prices would imply a higher multiplier of 4.93 (US\$11 116.4 in 2020 vs US\$65 964.1 in 2024). This approach relies on the evolution of Bitcoin prices in US\$ and abstracts from €/US\$ exchange rate fluctuations.

Following the approach used in the DAC8 impact assessment (European Commission, 2022b), we assume that Bitcoin represents 50 % of realised crypto gains. We therefore proxy total realised crypto gains in 2024 by doubling the extrapolated Bitcoin values.

Finally, we use historical daily Bitcoin closing prices from 01/01/2017 to 11/08/2025 to generate a linear projection of future Bitcoin prices. Specifically, we regress daily closing price on time (date) and use the estimated coefficients to obtain a predicted 2035 Bitcoin price of US\$170 414.7. This implies a growth factor of 4.9 relative to 2020, with an upper bound of US\$185 094.2 and a lower bound of US\$155 735.5 at the 95 % confidence interval. We consider this estimate conservative compared with other public projections: for example, some [speculative models](#) project levels well above US\$1 million per Bitcoin by 2035.

The study examines how fragmented tax rules in the European Union could create economic and administrative costs – the 'cost of non-Europe' in taxation. Since tax policy remains largely national, differences in design and enforcement could weaken the single market and limit fair competition. The study focuses on four areas: wealth taxation, cryptoassets taxation, digitalisation of tax administration, and tax compliance burdens. It finds that divergent wealth and inheritance taxes could allow arbitrage and legal uncertainty; inconsistent crypto tax rules and reporting standards risk revenue losses and unequal treatment; uneven digitalisation of tax administrations leads to gaps in enforcement capacity; and complex, non-aligned procedures impose disproportionate costs particularly on SMEs and cross-border firms. The study shows that targeted EU-level coordination – such as common definitions, interoperable reporting systems and minimum administrative standards – could raise revenue, reduce compliance and enforcement costs, and support a more integrated and equitable internal market.

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