

## VAT reform: how MEPs intend to tackle the €50 billion a year fraud

**Fraud involving VAT on goods exported to other member states costs EU tax payers an estimated €50 billion a year. The European Commission has come up with an action plan to clamp down on VAT fraud and update current VAT rules that have been left unchanged since 1993. MEPs debate the action plan on Wednesday 23 November and vote on it the following day. Read on to find out more about Parliament's position and watch our video for an explanation of how VAT fraud works.**

### Parliament's position

German EPP member Werner Langen, who is responsible for steering the new rules through Parliament., said there were two main goals: "The first is finding a definitive VAT system, because for the last 23 years we've only had a transitional system. The second and more important goal is fighting VAT fraud which happens on a substantial scale."

His [report](#) calls for a future VAT system based on the principle of taxing in the country that is the final destination of the goods and services in question. It also states that the most efficient way to tackle fraud is to have a simple VAT system with a rate that is as low as possible as well as fewer exemptions.

Langen also calls on the Commission to carefully study the consequences of a system to make the customer rather than the supplier responsible for paying VAT and to examine whether this will reduce VAT fraud and simplify the situation for small and medium-sized enterprises.

### How VAT fraud takes place

VAT has to be paid in the country where the customer lives so if you sell goods to someone in another member state you don't have to pay VAT on them in your own country.

It's possible to take advantage of this exemption by creating a fictitious company that buys VAT-free goods from another member state and then sells them with VAT in its own country before disappearing to avoid passing on the VAT to the tax authorities.

*MEPs debate the report on Wednesday 23 November at about 17.00 CET. [Watch it live online here.](#)*

## Value added tax in the EU

- VAT revenue nearly €1 trillion, corresponding to 7% of the EU's gross domestic product (2014)
- Fraud and failure to collect VAT results in an estimated €168 billion loss in revenue (2013)
- Cross-border fraud itself amounts to an estimated €50 billion

## Find out more

[Procedure file](#)

[Watch the plenary debate live on Wednesday 23 November from 17.00 CET](#)

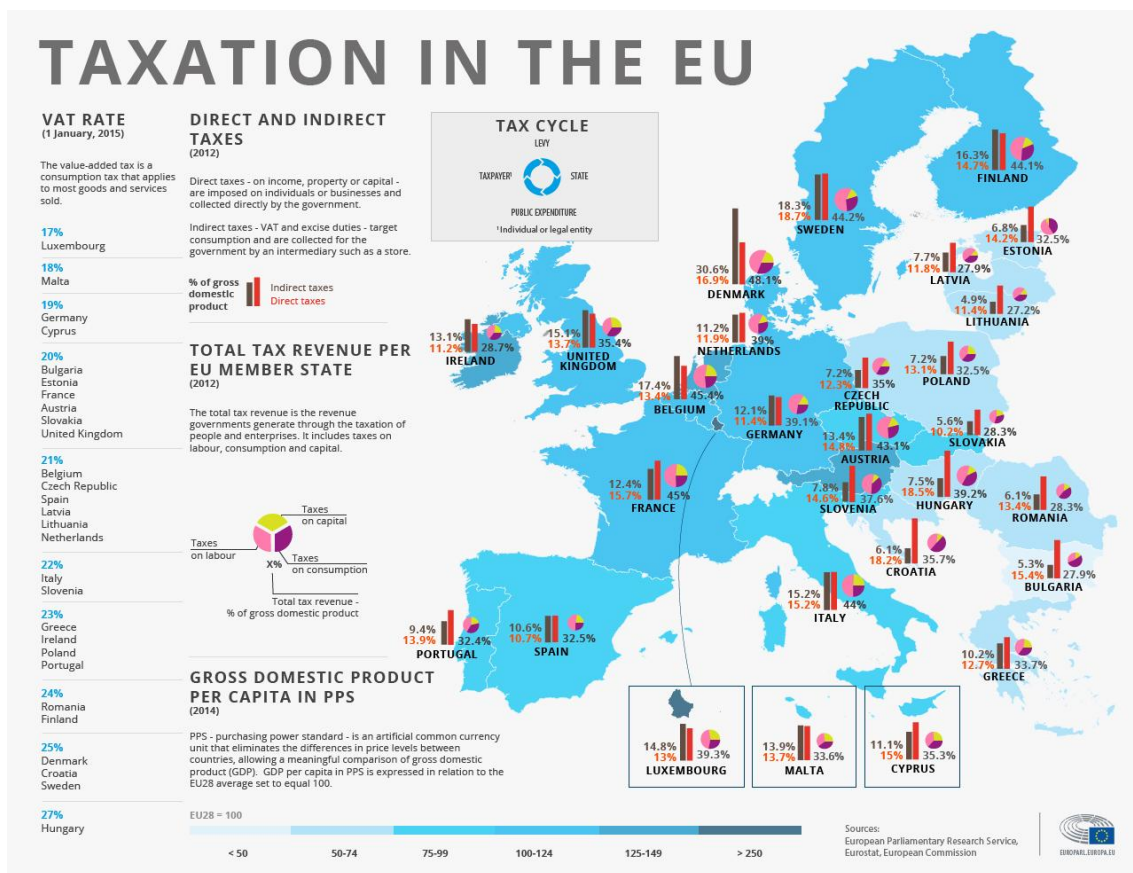
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[Loss of VAT revenue by member state](#)



Taxation levels across the EU. Click on it to see a larger version of the infographic.



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