[VAT: EU Member States still losing almost €150 billion in revenues according to new figures]

The so-called 'VAT Gap' shows the difference between the expected VAT revenue and the amount actually collected. While Member States' have carried out a lot of work to improve VAT collection, today's figures show that reform of the current EU VAT system combined with better cooperation at EU level are needed so that Member States can make full use of VAT revenues in their budgets.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs said: *"Member States have been improving VAT collection throughout the EU. This must be recognised and commended. But a loss of €150 billion per year for national budgets remains unacceptable, especially when €50 billion of this is lining the pockets of criminals, fraudsters and probably even terrorists. A substantial improvement will only come with the adoption of the VAT reform we proposed a year ago. I urge Member States to move forward on the definitive VAT system before the European Parliament elections in 2019.*"

In nominal terms, the VAT Gap decreased by €10.5 billion to €147.1 billion in 2016, a drop to 12.3% of total VAT revenues compared to 13.2% the year before. The individual performance of the Member States still varies significantly. The VAT Gap decreased in 22 Member States with Bulgaria, Latvia, Cyprus, and the Netherlands displaying strong performances, with a decrease in each case of more than 5 percentage points in VAT losses. However, the VAT Gap did increase in six Member States: Romania, Finland, the UK, Ireland, Estonia, and France.

While much progress has been achieved to improve VAT collection and administration at the EU level, Member States should now move forward and agree as soon as possible on the much broader reform to cut down on VAT fraud in the EU's system, [as proposed last year by the Commission]. The reboot would improve and modernise the system for governments and businesses alike, making the system more robust and simpler to use for companies.

Background

The VAT Gap study is funded by the EU budget and its findings are relevant for both the Union and Member States as VAT makes an important contribution to the Union and national budgets. The study applies a "top-down" methodology using national accounts data to produce estimations of the VAT gaps.

For the first time, the 2018 report includes a broader analysis of the effect of some external factors such as the productive structure of the economy and unemployment, as well as those under the direct control of the tax administration such as the size of the tax administration and IT expenditures. This aspect is particularly important since investment in IT usually leads to a VAT gap reduction, as set out in recommendations previously made by the Commission to the Member States.

Useful links

For more information, see our FAQ.

The full report and a factsheet is available here .

VIDEO: Commissioner Moscovici on the fight against VAT fraud