

Fighting VAT Fraud through Administrative Tools in the European Union

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Abstract. *Tax evasion is a phenomenon inherent in the existence of tax systems, which transcends both borders and the level of development of countries. Value added tax (VAT) is an increasingly important source of revenue for the European Union (EU) Member States. Still, like every other tax, VAT is vulnerable to frauds. Because the most damaging VAT fraud schemes take place in more than one Member State, EU-level cooperation is a necessity. The aim of this article is to analyze the steps made by the European Union to combat and prevent VAT fraud using the administrative cooperation between Member States. In the first part of the paper we presented the VAT Criticism and the proportions of VAT fraud in the EU. Second part of the paper analyses the administrative cooperation tools used by Member States in order to tackle VAT fraud, such as: SCAC (Standing Committee on Administrative Cooperation), VIES (VAT Information Exchange System), Eurofisc and TNA (Transactional Network Analysis). Also, we looked into other EU Bodies, Committees and Programmes like Europol, Eurojust and Fiscalis which support and complement the efforts of member States in the fight against VAT fraud. In the third part, there are the conclusions for this work.*

Keywords: tax evasion, VAT fraud, VAT Gap, cooperation tools, VIES, TNA

JEL Classification F15, G10, G18, H10, H26

1. Introduction

The essential role of taxes in economy is to provide revenue for public budgets (Salanié, 2003). And Value Added Tax (VAT) seems to be a fairly effective tool or at least more effective than other available options (Keen and Lockwood, 2006). Likewise, Schratzenstaller (2015) emphasizes that from an economic point of view, a sustainable tax system should generate higher revenue than government expenditures. Taxes are used by the government to achieve its objectives. From an economic and financial point of view, taxes represent the “*fiscal relationship between a taxpayer and a state*” (Paulík, Kombo & Ključnikov, 2015). A decrease in tax evasion stimulates tax collection, thus contributing to increase the quality of public services provided to citizens by governments (Alm, J., 2012). Meanwhile, the process of gaining sufficient revenues involves as well, implementing tools to tackle tax evasion. The tax system includes also, a system of tools and methods that the tax authorities apply, in order to ensure that taxpayers pay their taxes (Kubatová, 2010).

Tax evasion is a phenomenon inherent in the existence of tax systems, which transcends both borders and the level of development of countries. Although conceptually different, activities in the underground economy, in most cases, are closely related to the evasion of direct and indirect taxes and, therefore, the factors that affect tax evasion generally also explain the hidden economy.

The authors Avram, M., Avram, V (2012) define VAT as a general consumption tax, which covers all phases of the economic circuit, namely: production, services and distribution, up to final consumers, an indirect tax which is established on transactions

regarding the transfer of property of goods and service supplies. (Ionela, B., Porumboiu, A., Ghețu, R. & Brezeanu, P., 2019). VAT would be a relatively efficient collection instrument, since, in general, it does not affect intermediate levels of production, nor does it distort decisions at that level. By setting the tax burden on final consumption, the breadth of the tax base entails a high potential collection. The resistance to fraud is considered to be a strong feature of VAT. Nevertheless, VAT is the tax that is associated with tax evasion the most, which further highlights its importance.

2. VAT Criticism

VAT it has been the subject of a series of attacks, both from a theoretical point of view and from its practical application. Keen (2007) gathers three lines of criticism:

➤ The first criticism refers to the fact that VAT is an easy tool for governments to increase their resources and, in this sense, VAT could be considered as a “*money making machine*”. This idea refers to the existence of a positive relation between the presence of a VAT in the tax system and the total tax revenue collected. Keen and Lockwood (2006) explore this hypothesis (‘weak’ money machine) in theoretical and empirical detail, for a panel of OECD countries. Further, in a sample of 143 countries for the period 1975-2000, the empirical evidence examined in Keen and Lockwood (2010) indicates that the presence of VAT is significantly and positively associated with the ratio of public revenue to GDP.

➤ A second criticism is that VAT does not seem to work properly when there is an important informal sector, as is the case in most developing countries. In the presence of informality, Piggott and Whalley (2001) formally illustrated the idea of how increasing the consumption tax base can reduce welfare. Bird and Gendron (2006) also analyze this criticism in developing countries and estimated its impact on the informal economy for Ukraine and Jamaica.

➤ The third attack is focused on non-payment of the tax. VAT has been shown to be vulnerable to significant fraud. Therefore, a part of the potential VAT collection is lost due to tax evasion, as explained by Keen and Smith (2006) and Keen (2007).

3. VAT GAP

VAT fraud is a big problem in the EU. With an estimated VAT Gap of EUR 152 billion a year within the EU, EUR 5.12 billion is ascribed to VAT fraud. (European Commission, Press release, 2017). As this VAT Gap cannot be ignored, each Member State is trying to propose its own solutions to combat and prevent VAT fraud, within the limits set by Directive 2006/112/EC (further only, VAT Directive). It should be noted that according to Sir Austen Chamberlaine, the methods of tackling fraud must develop with minimum same speed as the evasion methods, which are changing extremely fast (Șaguna D.D., 1995, p. 59).

According to Hybka, M.M. (2018), the main reason for VAT evasion might be the complicated rules that prevent its application. The risk of tax evasion also arises at a time when the society’s attention is focused on other matters, now specifically on the fight against COVID-19. For obvious reasons, the financial administration has limited access to routine control procedures now, which fraudsters are well aware of.

It is extremely difficult to estimate with certainty, the proportions of VAT fraud in the EU for many reasons, one of being that available data are often inadequate and incomplete. As a result, many cases of VAT fraud go unobserved and estimates are usually made of the “VAT Gap” which, besides fraud, includes legitimate tax avoidance, legal bankruptcies and errors.

The VAT Gap is determined as the difference between the VAT total theoretical liability and the amount of VAT actually collected. VAT Gap estimations are carried out by European Commission's studies. Reducing the VAT Gap is even more important for countries where VAT represents a more significant source for budget revenues (Porumboiu, A.E., Butu, I., Ghetu, R., Brezeanu, P., 2019). Table nr. 1 gives a global view of the annual losses in national public funds as a result of VAT fraud, within the EU Member States for the period 2013-2017. The data were collected from the Study and Reports on the VAT Gap in EU-28 Member States, 2019. In order to point out the countries with the biggest gaps, the results are highlighted in descending order of the average percentage of VAT Gap in VAT total theoretical liability (VTTL). We included as well United Kingdom, because in the period analyzed was part of European Union.

Table no 1: VAT Gap in EU Member States in million euro and as a percentage of total tax liability

| Year | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | Average |
|----------------|----------|------------|----------|------------|----------|------------|----------|------------|----------|-----------|---------|
| Member State | VAT Gap* | % of VT TL | VAT Gap* | % of VT TL | VAT Gap* | % of VT TL | VAT Gap* | % of VT TL | VAT Gap* | % of VTTL | |
| Romania | 7192 | 38 | 7818 | 40 | 6890 | 35 | 6201 | 36 | 6413 | 36 | 37 |
| Greece | 6214 | 33 | 4611 | 27 | 5660 | 31 | 6436 | 31 | 7399 | 34 | 31 |
| Slovakia | 2147 | 31 | 2111 | 30 | 2209 | 29 | 1874 | 26 | 1791 | 23 | 28 |
| Italy | 40424 | 30 | 39033 | 29 | 36167 | 26 | 37044 | 27 | 33629 | 24 | 27 |
| Lithuania | 1095 | 30 | 1115 | 29 | 987 | 25 | 1027 | 25 | 1119 | 25 | 27 |
| Poland | 10071 | 27 | 9485 | 24 | 9555 | 24 | 7761 | 20 | 5764 | 14 | 22 |
| Latvia | 530 | 24 | 456 | 20 | 467 | 20 | 310 | 13 | 385 | 15 | 18 |
| Hungary | 2424 | 21 | 2215 | 19 | 2067 | 16 | 1813 | 15 | 1893 | 14 | 17 |
| Bulgaria | 761 | 16 | 1086 | 22 | 992 | 20 | 603 | 12 | 625 | 12 | 16 |
| Czechia | 2796 | 19 | 2345 | 17 | 2665 | 18 | 2264 | 15 | 2082 | 12 | 16 |
| Malta | 226 | 28 | 264 | 29 | 51 | 7 | 71 | 9 | 13 | 2 | 15 |
| Portugal | 2511 | 15 | 2300 | 14 | 2264 | 13 | 2301 | 13 | 1929 | 10 | 13 |
| Belgium | 3962 | 13 | 2755 | 9 | 3722 | 12 | 3865 | 12 | 3996 | 12 | 12 |
| Ireland | 1296 | 11 | 946 | 8 | 1464 | 11 | 1941 | 13 | 1938 | 13 | 11 |
| United Kingdom | 18043 | 11 | 20147 | 12 | 20680 | 10 | 19880 | 11 | 19199 | 11 | 11 |
| Germany | 26013 | 12 | 26543 | 12 | 24225 | 10 | 23662 | 10 | 25016 | 10 | 11 |
| Denmark | 3367 | 12 | 3006 | 11 | 2938 | 10 | 2378 | 8 | 2235 | 7 | 10 |
| France | 16140 | 10 | 17066 | 10 | 15841 | 9 | 15294 | 9 | 12030 | 7 | 9 |
| Austria | 2849 | 10 | 2572 | 9 | 2486 | 9 | 2384 | 8 | 2444 | 8 | 9 |
| Croatia | - | - | 504 | 8 | 639 | 10 | 503 | 8 | 459 | 7 | 8 |
| Estonia | 256 | 14 | 200 | 10 | 113 | 6 | 126 | 6 | 122 | 5 | 8 |
| Netherlands | 4726 | 10 | 4248 | 9 | 5010 | 10 | 2906 | 6 | 2744 | 5 | 8 |
| Slovenia | 183 | 6 | 335 | 10 | 272 | 8 | 239 | 7 | 128 | 4 | 7 |

| | | | | | | | | | | | |
|-----------|------------|----|------------|----|------------|----|------------|----|------------|----|----|
| Finland | 1120 | 6 | 1177 | 6 | 1223 | 6 | 1599 | 8 | 1622 | 7 | 7 |
| Spain | 8149 | 12 | 5900 | 8 | 3209 | 4 | 2024 | 3 | 1806 | 2 | 6 |
| Cyprus | - | - | - | -- | 132 | 8 | 87 | 5 | 11 | 1 | 5 |
| Luxemburg | 107 | 3 | 129 | 3 | 107 | 3 | 119 | 3 | 23 | 1 | 3 |
| Sweden | 1384 | 3 | 1291 | 3 | 1189 | 3 | 714 | 2 | 654 | 1 | 2 |
| EU-28 | 16398 6 | 15 | 15965 8 | 14 | 15322 7 | 13 | 14542 8 | 12 | 1374 70 | 11 | 13 |

Note: *million euro

Source: own representations based on data collected from Eurostat and Taxud (2019)

The table is topped by Romania, which in 2014 recorded 40% VAT Gap of VTTL and an average of 37% for the analyzed period. Next year, VAT Gap rate dropped to 35% and in the following years increased at 36%. On the other pole, Sweden registered the lowest rate, only 1% in 2017 with an average of 2% VAT Gap of VTTL, for the analyzed period. Sweden started with a constant rate of 3% of VTTL in the period 2013-2015 and dropped it to 1% in 2017. Countries keeping their tax evasion numbers under 10% expressed as the arithmetic average of the VAT Gap in VTTL include: France and Austria (9%), the Netherlands, Estonia and Croatia (8%), Slovenia (7%) Cyprus (5%) and Luxembourg (3%). By contrast, countries with high rates of VAT Gap in VTTL include Romania (37%), Greece (31%), Italy and Lithuania (27%), Bulgaria and Czechia (16%). The average VAT Gap within the EU expressed in % of VTTL recorded 15% in 2013 and had gradual decreased with 1% every year, reaching to 11% in 2017.

Regarding the amount of VAT Gap expressed in absolute terms, Italy reports the highest VAT Gap with more than 40.424 million € in 2013 followed by a decline to 33.629 in 2017. The second country is Germany, where VAT Gap, reached 26.543 million euro in 2014. Germany is ranked the second of the EU countries for the last year of the reporting period, after Italy. Germany is followed by United Kingdom and France. United Kingdom reported more than 19.000 million euro while France maintained constantly around 15.000 million euro and dropped it to 12.030 million euro, in 2017. The total amount of VAT Gap within the EU, in absolute terms is almost 164 billion euro in 2013 and slightly decreased until 2017, when it reached to almost 14 billion euro.

4. Administrative cooperation tools to tackle VAT fraud at European level

Since the establishment of the Single Market in 1993 border, controls have been abolished and thus the premises for the occurrence of intra-communication fraud have been created. Moreover, Member States for the collection of VAT in their territory depend on information received and exchanged from other Member States in the field of intra-Community trade.

The fight against tax fraud in the European Union is part of the Lisbon strategy and is supported by the VAT Directive. Tax evasion and especially fraud in field of VAT distort fair competition in the single market and decrease Member States' tax revenues. The European Council stressed that such fraud must be tackled effectively and firmly, in order to support Member States' budgets and fair businesses that comply with tax law (European Parliament, 2002). Following the enactment in 2004 of the Council Regulation (EC) No 1798/2003 on administrative cooperation in the field of value added tax were accelerated and increased, both, the cross-border assistance

between Member States and the efficiency of controls. This was achieved by clearer procedures and more direct links between local tax offices in different Member States. Intending to support and complete the national efforts in this regard, on 28 November 2006 the Council agreed to urgently establish a strategy to combat tax fraud at Community level. (Court of Auditors, 2007).

At European level, these exchanges of information are carried out through the administrative cooperation mechanisms provided in EU legislation, as follows:

4.1 MLC (Multi-Lateral Controls) and SCAC (Standing Committee on Administrative Cooperation)

MLC refer to controls conducted simultaneously in more than one Member States and the presence of tax officials in other Member States allowing them to obtain access to documentation held there or to attend ongoing investigations.

SCAC consists of exchanges of information on request and automatic exchanges of information, using standard forms approved by the Standing Committee on Administrative Cooperation. According to the Commission Staff Working Document from 2017 *"Impact Assessment, COM(2017) 706 final"* (further only, Commission Staff Working Document), majority of the Member States opined that the standard SCAC forms should be updated, as follows:

- Ireland suggested the option to request on more than one company and to use extra identifiers, such as business name, contact details, website, in order to deal with cases of suspected fraud networks in the requested Member State;
- Finland suggested that forms should support exchange of import/export data, which are more and more often related to VAT MTIC fraud;
- Netherlands suggested that should be implemented one language in filling and that should be more user friendly.

Figure 1 illustrates that more than half of the Member States opined that the standard SCAC form needs to be updated.

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

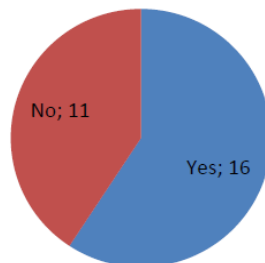


Figure 1 Need to update standard form

Source: European Commission Staff Working Document *"Impact Assessment"*, COM(2017) 706 final

4.2 VIES (VAT Information Exchange System)

It involves exchanges of information via an electronic VIES database on the validation of VAT registration numbers of economic operators registered in the European Union.

The VIES electronic network is used for cross-border products and services transactions to check if the economic operators are registered in VAT purposes in the European Union. These checks should be carried out, in principle:

- To the companies by way of VIES-on-the Web (VoW) - which can quickly obtain information on the VAT registration numbers assigned by the Member States, including the date of assignment, the name and the address of the operator. Furthermore, the date of expiry of the VAT number is accessible, where applicable or even the history of a given VAT number, is accessible if there have been changes in its characteristics.
- Member States communicate to other Member States information on all intra-Community deliveries made by their operators by means of recapitulative statements drawn up by each intra-Community supplier. These declarations shall be submitted for each quarter and shall contain the total value of the goods delivered to any purchaser in another Member State. Thus, tax administrations can compare the declarations submitted by their operators to ensure that VAT has been applied correctly and that there are no irregularities. Nevertheless, only to tax administrations have access to information on value of intra-EU sales and acquisitions. They are not made available to stakeholders.

Although VIES is a useful tool for data exchange between Member States in the field of intra-Community deliveries, the system has some shortcomings. Data are not always reliable, accurate or prompt, which decreases the effectiveness of the system in the context of anti-fraud efforts.

A way to improve VIES is by adding categories of information to be exchanged. In the Figure 2 is shown the opinion of the member states regarding the data to be added in VIES. Thus, according to the Commission Staff Working Document (2017) more than half of the Member States would like to add: data on imports using the Custom Procedure No 42 and data on cars and owners.

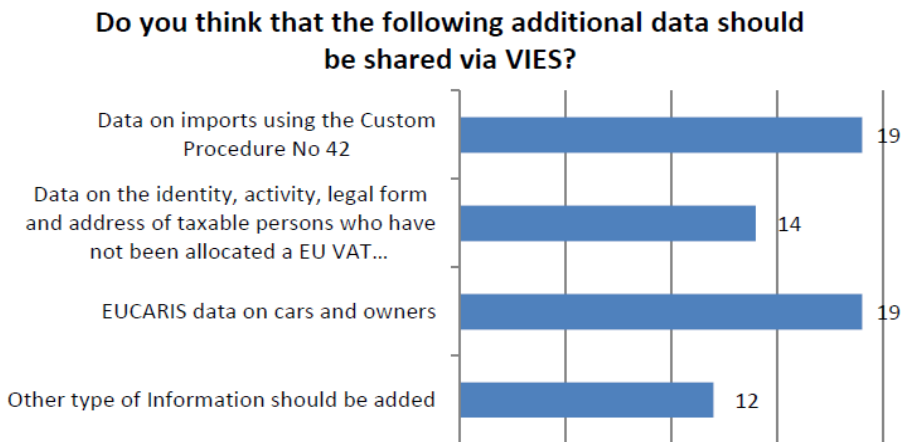


Figure 2. Adding categories of information to be exchanged over VIES
 Source: European Commission Staff Working Document "Impact Assessment", COM(2017) 706 final

4.3 Eurofisc

Eurofisc is a decentralized network, set by Council Regulation 904/2010, aiming to promote and facilitate multilateral cooperation in the fight against VAT fraud. It is a Member States-driven network, made of national officials. It works as an early warning system. Member States are quickly exchanging information on suspicious traders and suspicious activities detected during their national risk analyses.

It comprises 5 distinct working fields, each of it corresponding to a specific type of intracommunity VAT fraud. All Member States participate in Eurofisc, but they can decide in which working fields they want to share in:

1. MTIC (Missing Trader) fraud/Carousel fraud: encompassing all the provisions relating to MTIC fraud/Carousel fraud and fraud that does not fit in another Working Field;
2. Cars, boats and planes;
3. Abuse of Custom Procedure 42 (CP42);
4. VAT Observatory: identifies and examines new risks, trends, and fraud developments; it does not proceed to the exchange of data on specific economic operators;
5. E-Commerce.

According to the survey of European Court of Auditors (2015), 27 Member States considered Eurofisc as a promising forum for EU-level cooperation in the fight against VAT fraud. At the same time, they highlighted the lack of this system: feedback not frequent enough; data exchanged not always well targeted; not all Member States participate in all Eurofisc working fields; exchanges of information are not user friendly (using Excel sheets, Eurofisc coordinators have therefore to manually compile the information); data exchanges are too slow. These weaknesses can be improved through a closer collaboration between Member States and the Commission. (European Court of Auditors, 2015).

4.4 TNA (*Transactional Network Analysis*)

The cooperation between the Eurofisc's national anti-fraud officials can be improved by launching the new tool "*Transactional Network Analysis*" (further only, TNA) (European Commission - Press release, 2019). TNA was developed with the aim to speed up the exchange information in order to detect faster the fraudsters within the framework of Eurofisc. For the moment, TNA is linked to Eurofisc working field 1: MTIC fraud/carousel fraud. It will allow Eurofisc officials to cross-check information with criminal records and to coordinate cross-border investigations. Thus will be provided a better view of carousel fraud chains and trends.

Considering the above weakness points of Eurofisc, TNA is highly targeted to "how" Eurofisc officials already exchange information, which will be improved as follows:

- "*Feedback not frequent enough*": introducing advanced data analytics to improve detection;
- "*Data exchanged not always well targeted*" will be partially solved by the fact that Member States will be monitoring the whole chains with the same information being available to all participating Member States. So, member States will have a clear view of the suspicious networks without manual intervention.
- "*Exchanges of information are not user friendly*": improving Member States ability to share data and qualify traders identified by Eurofisc, resulting in a more structured and fluid way of information exchange;

- "Data exchanges are too slow": enhancing IT facilities for collecting and sharing the information.

In brief, it is based on data mining. The TNA collects data from multiple sources, placed in a network, for example identified missing traders, businesses under monitoring, VIES and VOW (VIES on the web) and then stores them in a registry. Latter the data will be processed using an algorithm in order to target and to score each network and operator in the network, according to the level of risk. For the moment, TNA is linked only to working field 1. However, in the future TNA should include new strategies in order to tackle other types of frauds covered by Eurofisc, such as: cars, boats, planes (working field 2) or Custom Procedure 42 fraud (working field 3).

TNA is expected to improve Member States' capacitate to detect MTIC fraud through an improved information exchange through VIES and better usage of available data from Eurofisc. It will free up resources in Eurofisc by automating the process of creating networks and detecting potential risky traders. As a result Eurofisc liaison officials will have more time to focus on more meaningful tasks such as actual investigation of identified traders and chains. TNA would then help to a higher collection of VAT, target fraudsters in order to fight and prevent MTIC fraud. Moreover, most of the Member States are agreeing that TNA is a useful tool on common risk analysis within Eurofisc and are willing to participate and that TNA. (Commission Staff Working Document, 2017).

In the next part we presented a ranking made by European Court of Auditors (2015) of the above administrative cooperation instruments. The ranking was made in terms of speed and level of detail of information supplied, based on information from Eurofisc, as is shown in Figure 3.

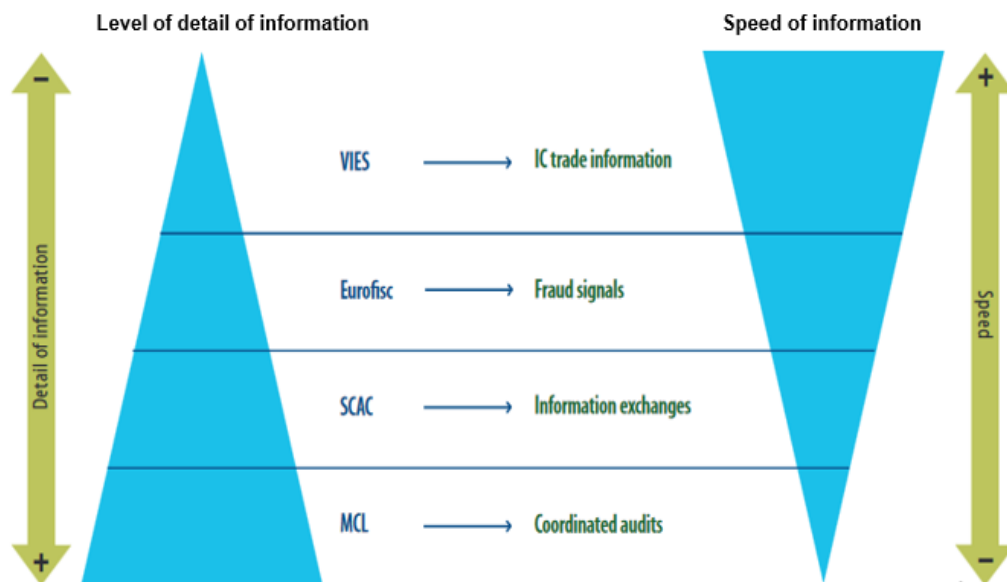


Figure 3. Ranking of administrative cooperation tools in terms of speed and level of detail of information supplied

Source: European Court of Auditors based on information from Eurofisc, 2015

As expected, it can be observed in Figure 3 that the more detailed the information, the harder it will be to move/be exchanged between Member States. In terms of speed of information circulation, VIES ranks the first. This is mainly due to the fact that there are simple information regarding the validity of the registration number

for VAT purposes and can also be accessed by economic operators using Vies on the Web. On the other hand, in terms of level of detail of information supplied, the most detailed ones are provided through multilateral controls (MLC), since following the coordinated audits will be prepared detailed and complex reports regarding the economic operators forming part of a fraudulent chain.

5. Other UE Bodies, Committees and Programmes

5.1 Europol

Europol was created by Council Decision 2009/371/JHA in order to *“support and strengthen action by Member States and their mutual cooperation in preventing and combating organised crime, terrorism and other forms of serious crime affecting two or more Member States”*. Also, Europol collaborates with third countries like Norway and Switzerland and international organizations.

Europol is facilitating the exchanges of information between law enforcement agencies (customs, intelligence, border guards, etc.). Similar to TNA, it set up a network which focuses on carousel fraud. More than that, since 2017 joint investigation teams were developed, which can be considered as a *“cooperation tool amongst national investigative agencies when tackling cross-border crime”*.

5.2 Eurojust

The role of Eurojust is to *“support and strengthen coordination and cooperation between Member States’ investigating and prosecuting authorities in relation to serious crime affecting two or more Member States, or requiring a prosecution on common basis”*. Eurojust works on the basis of operations conducted and information supplied by the Member States and by Europol (L. Sokanovic, 2017).

In the opinion of O. Sokolovska (2016) judicial support is a good practice to tackle fraud. Thus, exchange of information is facilitated through of joint investigation teams and coordination meetings. In its meetings, Eurojust mentioned that many of the proceedings on money laundering were connected with VAT fraud. Therefore, the Eurojust meeting (2014) highlighted the idea that there is a strong link between excise fraud and VAT fraud, which constitute some of the biggest annual losses of UE revenue. (O. Sokolovska, 2016).

5.3 Fiscalis

The so-called *“Fiscalis Programme 2013”* was established in 2013 with the objective *“to finance initiatives by tax administrations to improve the operation of the taxation systems in the internal market”* by increasing cooperation between participating countries, their administrations and officials (European Court of Auditors, 2015). It is a multiannual EU action programme which was extended to *“Fiscalis 2020”*.

In fact, the Fiscalis programme finances activities such as: communication and information-exchange systems, MLC - multilateral controls, seminars and project groups, working visits, training activities and other similar activities.

5.4 VAT Expert Group and VAT Forum

The VAT Expert Group is a mixture of businesses, tax practitioners and academics who are discussing about legislative proposals made by the European Commission.

The VAT Forum is a mixture between Member States and a selection of businesses. The topic of their discussion are the practical issues with the current legislation.

Of course, both groups discuss current or future risks of fraud and methods to prevent and minimize the fraud.

6. Conclusions

VAT fraud is still a big problem in the EU. With an estimated VAT Gap of EUR 152 billion a year within the EU, EUR 5.12 billion is ascribed to VAT fraud. (Press release, 28 Sept. 2017). The alarming increase in VAT fraud indicates a lack of mutual assistance between Member States and national anti-fraud measures.

Member States cannot fight alone to combat VAT fraud. Because the most damaging VAT fraud schemes take place in more than one Member State, EU-level cooperation is a necessity. Thus, European Commission established the ground for effective administrative cooperation between the Member States to combat VAT fraud. Member States have adopted a fairly extensive anti-VAT fraud regulatory framework, including traditional mutual assistance instruments for tax recovery and information exchange.

Cross-border cooperation is certainly the most appropriate way of combating cross-border VAT fraud. VAT Gap can only be reduced by making full use of these tools, combined with the allocation of sufficient resources at home. With respect to carousel fraud in particular, the Member States cooperate via Eurofisc. The development of the TNA it is expected to enable Eurofisc to detect and stop missing trader fraud at its roots and quicker than ever, but so far no official data on TNA results are available. Other institutions and bodies such as Europol or Eurojust can usefully assist the European Commission and the Member States in preventing and tackling VAT fraud.

VIES could operate as the first line in the fight against intra-community VAT fraud. Detection could be reached from signs sent and received as a result of the exchange of information between the tax authorities of each Member State. However, is essential an update of VIES by simplifying and increasing the quality of the data exchanged. This will potentially boost administrative cooperation and compliance due to faster data collection, by eliminating existing technological barriers in Member States with low levels of law enforcement.

There is a need to further improve preventive controls aimed at detecting fraud more quickly and tackling it more effectively. An EU-wide risk analysis system should be developed using standardized technologies and shared databases, for a superior administrative cooperation between Member States.

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