
Fight against tax fraud: Commission publishes a study on the VAT gap in the EU

Reference: IP/09/1655 Date: 30/10/2009

IP/09/1655

Brussels, 30 October 2009

Fight against tax fraud: Commission publishes a study on the VAT gap in the EU

In the framework of its strategy to combat tax evasion and fraud ([IP/06/697](#)), the European Commission today published a study carried out by an external contractor on the gap between the amount of VAT due and the amount received in 25 Member States, and the evolution of these figures, over a period of 7 years.

László Kovács, Commissioner for Taxation and Customs, said: "In our fight against tax fraud we need figures on the size of the revenue losses. This study on the VAT gap confirms estimates of VAT fraud that were made in the past and stresses the absolute need for the EU and Member States to continue their efforts in fighting VAT fraud."

The study comes up with an estimate VAT gap varying between 90 billion and 113 billion EUR in the period 2000-2006. For 2006, this represents 12% of the theoretical VAT liability with important national differences.

Table 1 Aggregate estimates of the VAT gap, 2000 – 2006 (EUR billion)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------|------|-------|-------|-------|-------|-------|-------|
| EU-10 | 6,5 | 8,3 | 8,3 | 7,6 | 8,6 | 8,1 | 7,9 |
| EU-15 | 84,4 | 96,2 | 98,9 | 101,1 | 103,6 | 105,2 | 98,8 |
| EU-25 | 90,9 | 104,5 | 107,1 | 108,7 | 112,3 | 113,3 | 106,7 |

Note: EU-10 and EU-25 exclude Cyprus. Non-Euro currencies converted to EUR using the average exchange rate in each year.

Table 2 Aggregate estimates of the VAT gap as a share of theoretical liability, 2000 - 2006

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-------|------|------|------|------|------|------|------|
| EU-10 | 20% | 22% | 20% | 19% | 19% | 16% | 14% |

| | | | | | | | |
|-------|-----|-----|-----|-----|-----|-----|-----|
| EU-15 | 12% | 13% | 13% | 14% | 13% | 13% | 12% |
| EU-25 | 13% | 14% | 14% | 14% | 14% | 13% | 12% |

Note: EU-10 and EU-25 exclude Cyprus.

The study also gives the evolution of the VAT gap per country over the period (see table with 2006 figures in annex).

Methodology

The study provides estimates of the VAT gap, which is the difference between the theoretical net VAT liability for the economy as a whole and the actual accrued VAT receipts.

The approach followed allows an estimation of the VAT gap in the economy as a whole but it does not allow it to be characterised in terms of identifying the sector, goods traded, or type of business are more susceptible to VAT fraud. Therefore the VAT gap includes, among other things fraud, legal avoidance, and unpaid VAT liability due to insolvencies. This means that the **VAT gap is not only due to fraud**.

Limits

The theoretical VAT liability is calculated from national accounts data published by national statistical offices. However, for a number of Member States, these data were not available for the whole of the period covered in the study.

National accounts data are produced for purposes other than calculating a VAT liability. Although best efforts were made, it was impossible to capture all the complexities of the VAT system of each Member State. Using these data for this purpose meant that the consultant had to make a number of assumptions.

Finally, it should be noted that only publicly available data have been used in the context of this study. This can explain differences with estimates made by national authorities which can make use of the information available to them, but that could not be disclosed to the authors of this study.

The study and further information on the strategy to combat VAT fraud and evasion can be found at:

http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/reports/index_en.htm

Table 3 Estimates of the VAT gap, 2006 (EUR million)

| Member State | Theoretical VAT liability | VAT receipts | VAT gap | VAT gap as a share of theoretical liability |
|--------------|---------------------------|--------------|---------|---|
| AT | 22,844 | 19,735 | 3,108 | 14% |
| BE | 25,360 | 22,569 | 2,791 | 11% |
| CZ | 9,216 | 7,541 | 1,675 | 18% |
| DE | 164,115 | 147,150 | 16,965 | 10% |
| DK | 23,611 | 22,560 | 1,051 | 4% |
| EE | 1,325 | 1,215 | 111 | 8% |
| ES | 63,013 | 61,595 | 1,418 | 2% |
| FI | 15,176 | 14,418 | 758 | 5% |

| | | | | |
|--------|---------|---------|---------|-----|
| FR | 140,817 | 131,017 | 9,800 | 7% |
| GR | 21,746 | 15,183 | 6,563 | 30% |
| HU | 8,882 | 6,813 | 2,070 | 23% |
| IE | 14,043 | 13,802 | 241 | 2% |
| IT | 119,197 | 92,860 | 26,337 | 22% |
| LT | 2,335 | 1,826 | 510 | 22% |
| LU | 1,961 | 1,941 | 20 | 1% |
| LV | 1,751 | 1,374 | 378 | 22% |
| MT | 463 | 410 | 53 | 11% |
| NL | 41,269 | 39,888 | 1,381 | 3% |
| PL | 23,784 | 22,127 | 1,657 | 7% |
| PT | 14,371 | 13,757 | 614 | 4% |
| SE | 29,294 | 28,487 | 807 | 3% |
| SI | 2,764 | 2,647 | 116 | 4% |
| SK | 4,632 | 3,320 | 1,312 | 28% |
| UK | 155,697 | 128,721 | 26,976 | 17% |
| <hr/> | | | | |
| EUR-25 | 907,667 | 800,955 | 106,712 | 12% |

Note: EU-25 excludes Cyprus. Non-Euro currencies converted to EUR using the average exchange rate in 2006