



European  
Commission

# VAT GAP Report

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2016

#FairTaxation

## WHAT IS THE VAT GAP?

- The VAT GAP is the overall difference between the expected VAT revenue and the amount actually collected.
- In 2014, the VAT Gap amounted to €159.5bn in the EU. This equates to a total revenue loss across the EU of **14.03%**.
- VAT is a major and growing source of tax revenue in the EU. Quantifying the scale of the VAT Gap can help to develop well-targeted measures and monitor their effectiveness.

## WHAT CAUSES THE VAT GAP?



Fraud and tax  
evasion



Corporate  
insolvency



Corporate  
bankruptcy



Maladministration



Legal tax  
optimisation



*“Our Member States are losing tens of billions of euros in uncollected VAT revenue. This is unacceptable. The current regime is woefully ill-equipped to deal with the problems of VAT fraud and miscalculations, and it's clear that the numbers will not get better by themselves. Member States must now quickly agree on a definitive fraud-proof EU VAT system, as laid out by the Commission earlier this year. I therefore urge all of our Member States to have a frank and meaningful discussion in order to feed into next year's proposals, so we can tackle this issue once and for all.”*

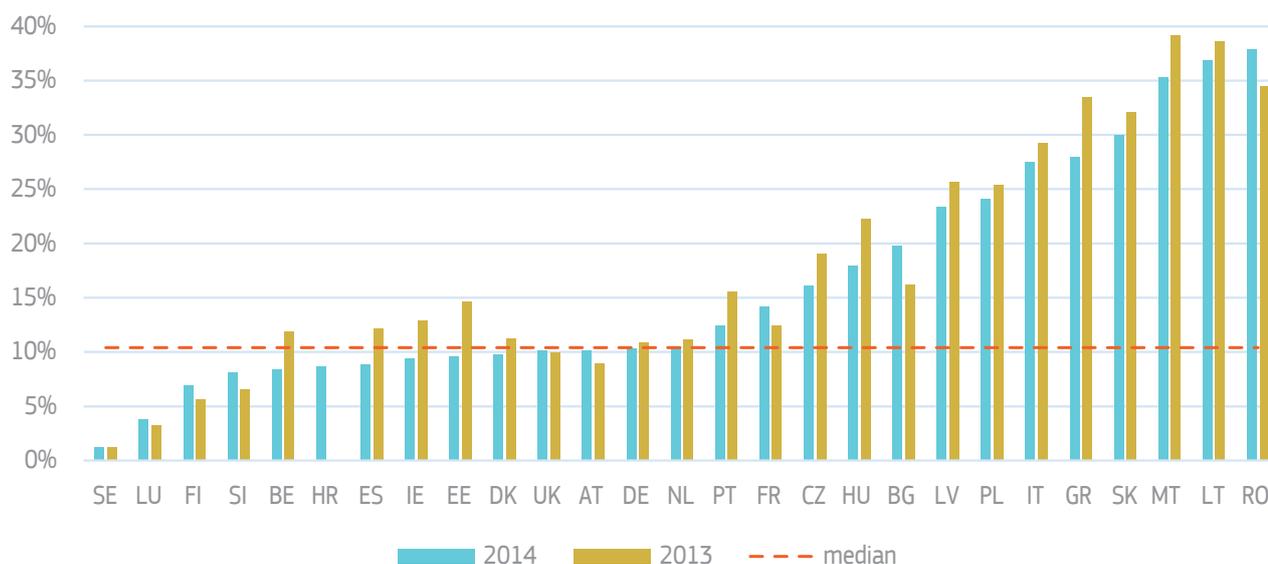
**Pierre Moscovici** Commissioner for Economic and Financial Affairs, Taxation and Customs

## WHAT ARE WE DOING TO LOWER THE VAT GAP?

- Our **VAT Action Plan** sets out ways to make the current EU VAT system simpler, more fraud-proof and business-friendly.
- In 2017, we will propose to put in place definitive rules for **a single European VAT area**.
- Immediate measures to tackle fraud include:
  - ▶ Enhancing cooperation between Member States by supporting the sharing and joint analysis of information;
  - ▶ Improving tax compliance by cooperating with businesses to address fraud;
  - ▶ Supporting the modernisation of tax administrations to prevent and fight fraud.

## HOW DO EU MEMBER STATES FARE?

- The smallest gaps were observed in Sweden (1.24%), Luxembourg (3.80%) and Finland (6.92%). The largest gaps were registered in Romania (37.89%), Lithuania (35.94%) and Malta (35.32%)
- Overall, half of the **EU-27<sup>1</sup>** Member States recorded a gap below **10.40%**. The estimates used in this report rely on national accounts figures. The procedure for estimating the VAT Gap was adjusted following a change in the methodology for compiling this data.



### VAT GAP IN 2014 (EUR MILLION)

Austria	2882	Germany	23489	Netherlands	4956
Belgium	2519	Greece	4926	Poland	9301
Bulgaria	940	Hungary	2134	Portugal	2093
Croatia	510	Ireland	1195	Romania	7107
Czech Republic	2233	Italy	36855	Slovakia	2148
Denmark	2709	Latvia	547	Slovenia	280
Estonia	181	Lithuania	1612	Spain	6214
Finland	1409	Luxembourg	147	Sweden	489
France	24477	Malta	351	United Kingdom	17756
		<b>EU-27</b>	<b>159 460</b>		

<sup>1</sup> Incomplete national accounts data mean that Cyprus has not been included in the study.