

# VAT GAP Report

September  
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#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."*

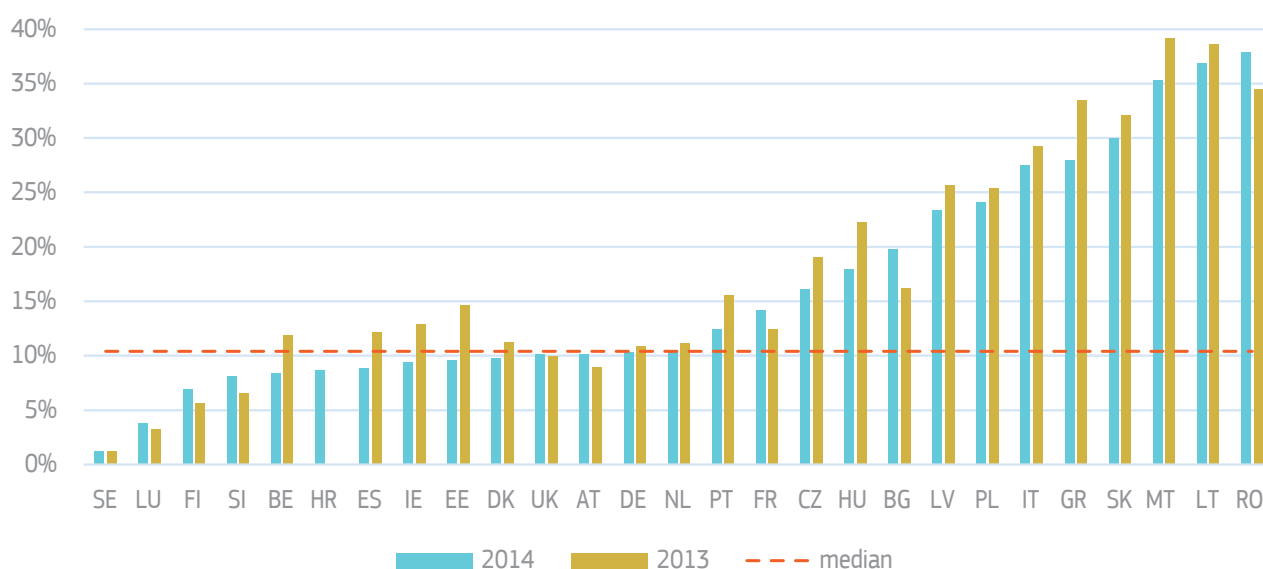
**Pierre Moscovici** Commissioner for Economic and Financial Affairs, Taxation and Customs

## 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
Belgium	2519
Bulgaria	940
Croatia	510
Czech Republic	2233
Denmark	2709
Estonia	181
Finland	1409
France	24477

Germany	23489
Greece	4926
Hungary	2134
Ireland	1195
Italy	36855
Latvia	547
Lithuania	1612
Luxembourg	147
Malta	351

Netherlands	4956
Poland	9301
Portugal	2093
Romania	7107
Slovakia	2148
Slovenia	280
Spain	6214
Sweden	489
United Kingdom	17756

EU-27	159 460
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<sup>1</sup> Incomplete national accounts data mean that Cyprus has not been included in the study.