

ADOPTED RESOLUTION

EPP CONGRESS ZAGREB, 20 – 21 NOVEMBER 2019



Resolution adopted at the EPP Congress, Zagreb (Croatia), 20th - 21th November 2019

Closing the VAT Gap

Recognising that:

1. The VAT Gap' shows the difference between the expected VAT revenue and the amount actually collected, providing an estimation of the revenue loss due to tax fraud and tax evasion;
2. The EU VAT gap is currently €137 billion i.e. almost €267 of lost revenue per person across the EU;
3. Member States' estimated VAT Gaps ranged from under 0.7% in Luxembourg, to 35.5% in Romania;
4. The VAT gap increased in three Member States – namely Germany, Greece, and Latvia.

Acknowledging that:

1. The endemic instances of “carousel fraud”, where traders do not remit the VAT they receive from their customers to the tax authorities, customers ask for a tax deduction on the valid invoices they hold for the services rendered by the traders, the supplies are purchased and then resold without the payment of any VAT to authorities, are ongoing;
2. Council Directive 2018/2057 attempts to address carousel fraud by providing for a derogation from the application of the standard VAT rules the ‘generalised reverse charge mechanism;
3. The Directive expires on 30 June 2022;
4. Data collection is of pivotal importance in addressing these issues on a long-term basis.

5. The UK's HMRC introduced the Making Tax Digital for VAT initiative which will ultimately require UK taxpayers to move to a fully digital tax system.

EPP calls on:

1. Member States to continue to invest in technology-led tax collection and mandate that all VAT returns are submitted electronically;
2. Member States revenue authorities to facilitate integration of VAT returns with corporate cash register and sales systems to feed data directly to authorities.
3. Member States to support each other in their national efforts to close the VAT gap.