

# Procedure file

Basic information		
CNS - Consultation procedure Regulation	<a href="#">2018/0413(CNS)</a>	Procedure completed
Value added tax (VAT): administrative cooperation in order to combat VAT fraud		
Amending Regulation (EU) No 904/2010 <a href="#">2009/0118(CNS)</a>		
Subject		
2.70.02 Indirect taxation, VAT, excise duties		
2.80 Cooperation between administrations		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 <a href="#">PEREIRA Lídia</a>	18/07/2019
		Shadow rapporteur	
		 <a href="#">MOLNÁR Csaba</a>	
		 <a href="#">KOVAŘÍK Ondřej</a>	
		 <a href="#">SCOTT CATO Molly</a>	
		 <a href="#">JURZYCA Eugen</a>	
	Former committee responsible		
	 Economic and Monetary Affairs		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3749</a>	18/02/2020
European Commission	Commission DG	Commissioner	
	<a href="#">Taxation and Customs Union</a>	MOSCOVICI Pierre	

Key events			
12/12/2018	Legislative proposal published	<a href="#">COM(2018)0813</a>	Summary
14/01/2019	Committee referral announced in Parliament		
21/10/2019	Committee referral announced in Parliament		

03/12/2019	Vote in committee		
09/12/2019	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A9-0047/2019</a>	Summary
16/12/2019	Debate in Parliament		
17/12/2019	Results of vote in Parliament		
17/12/2019	Decision by Parliament	<a href="#">T9-0091/2019</a>	Summary
18/02/2020	Act adopted by Council after consultation of Parliament		
18/02/2020	End of procedure in Parliament		
02/03/2020	Final act published in Official Journal		

### Technical information

Procedure reference	2018/0413(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
	Amending Regulation (EU) No 904/2010 <a href="#">2009/0118(CNS)</a>
Legal basis	Treaty on the Functioning of the EU TFEU 113
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/00408

### Documentation gateway

Legislative proposal	<a href="#">COM(2018)0813</a>	12/12/2018	EC	Summary
Document attached to the procedure	<a href="#">SWD(2018)0487</a>	12/12/2018	EC	
Document attached to the procedure	<a href="#">SWD(2018)0488</a>	12/12/2018	EC	
Committee draft report	<a href="#">PE641.419</a>	15/10/2019	EP	
Amendments tabled in committee	<a href="#">PE643.162</a>	13/11/2019	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A9-0047/2019</a>	09/12/2019	EP	Summary
Text adopted by Parliament, 1st reading/single reading	<a href="#">T9-0091/2019</a>	17/12/2019	EP	Summary
Commission response to text adopted in plenary	<a href="#">SP(2020)23</a>	20/02/2020	EC	

### Final act

[Regulation 2020/283](#)  
[OJ L 062 02.03.2020, p. 0001](#) Summary

PURPOSE: to improve the exchange of information on cross-border payments in order to combat VAT fraud in electronic commerce.

PROPOSED ACT: Council Regulation.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: this proposal is part of the package of legislation on the mandatory transmission and exchange of VAT-relevant payment information. It is part of the EU's broader agenda to tackle VAT fraud and improve VAT collection of internet sales.

E-commerce VAT fraud is a common problem for all Member States. Member States alone do not have the information necessary to ensure that the e-commerce VAT rules are correctly applied and to tackle e-commerce VAT fraud.

The exchange of payment data between tax authorities is crucial to combat fraud effectively.

The Commission considers that new tools are necessary for tax authorities to tackle cross-border e-commerce VAT fraud in an effective way.

CONTENT: the proposal seeks to amend [Regulation \(EU\) No 904/2010](#) on administrative cooperation and fighting fraud in the field of value added tax. This is because the proposal lays down rules for the Member States to collect in a harmonised way the records made electronically available by the payment service providers pursuant to the VAT Directive.

In concrete terms, the proposal:

- sets up a new central electronic system for the storage of the payment information and for the further processing of this information by anti-fraud officials in the Member States within the Eurofisc framework. The new central electronic system for payment information (CESOP) would be developed by the Commission;

- introduces the obligation for Member States to collect recorded data made available electronically from payment service providers in accordance with the VAT Directive. The competent authorities of the Member States should forward to CESOP, on a quarterly basis, the information they collect from payment service providers established in their own territory. A common electronic format for the collection of such data should be adopted by means of implementing acts.

CESOP will correct formal mistakes in the transmitted information (cleansing) and aggregate the overall payment information transferred by the competent authorities of the Member States per payee (recipient of the funds). Then it will analyse the information (e.g. matching payment information with VAT information available to Eurofisc officials) and will allow Member States Eurofisc liaison officials to have a complete overview of the payments received by given payees. The information shall be stored in CESOP for two years.

The information on incoming payments will allow Member States to detect domestic suppliers selling goods and services abroad without fulfilling their VAT obligations.

Information on outgoing payments will allow the detection of suppliers established abroad (either in another Member State or outside the Union) that should pay VAT in a given Member State.

The Commission would bear the costs for the development and maintenance of CESOP as well as the costs of maintaining the connection between CESOP and Member States national systems, while the Member States would bear the costs of all necessary developments to their national electronic system.

The safeguards laid down under Regulation (EU) No 904/2010 and the European framework on data protection will apply to the exchange of payment information under the present proposal.

## Value added tax (VAT): administrative cooperation in order to combat VAT fraud

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The Committee on Economic and Monetary Affairs adopted, under a special legislative procedure (consultation of Parliament), the report by Lidia PEREIRA (EPP, PT) on the proposal for a Council regulation amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud.

As a reminder, the proposal concerns the mandatory transmission and exchange of information on VAT payments between VAT administrations. It lays down rules for the harmonised collection by Member States of recorded data made available electronically by payment service providers. Furthermore, it sets up a new central electronic system for the storage of the payment information and for the further processing of this information by anti-fraud officials in the Member States within the Eurofisc framework.

The committee recommends that the European Parliament approve the Commission's proposal subject to amendments.

### Better tackle VAT fraud

Members stressed the need for more transnational cooperation in order to better combat VAT e-commerce fraud in particular, as well as VAT fraud more generally (including carousel fraud).

The report recalled that according to the Commission, the VAT gap (the difference between the expected VAT revenue and the amount actually collected) in the Union amounted to EUR 137.5 billion in 2017, representing a loss of 11.2 % of the total expected VAT revenue and EUR 267 of lost revenue per person in the Union. There are, however, big differences between Member States, with VAT gaps ranging from 0.6% up to 35.5%.

The main purpose of the proposed amendments is to ensure that the fight against VAT fraud is more effective. According to Members:

- all Member States should take measures in order to reduce the percentage of late replies and improve the quality of requests for information;
- the new central electronic system for payment information ("CESOP") should keep the information for a maximum period of five years (rather than three years) from the end of the year in which the information was transferred to the system;
- the Commission should be able to conduct visits to the Member States in order to evaluate how cooperation arrangements on cross-border VAT fraud between Member States work;
- Member States and the Commission should set up a common system for collecting statistics on intra-Community VAT fraud and publish

national estimates of VAT revenue losses resulting from such fraud as well as estimates for the Union as a whole;

- Eurofisc's annual report should examine whether the resources devoted to Eurofisc are adequate and sufficient to improve cooperation between Member States and fight efficiently against VAT fraud;

- lastly, information exchanged on payments to combat VAT fraud should also be used in the implementation of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

#### Strategy for fighting against VAT fraud

Members stated that this strategy should evolve in parallel with the increasing modernisation and digitalisation of the economy while rendering the VAT system as simple as possible for businesses and citizens. Member States should therefore continue to invest in technology-led tax collection, notably by automatically linking corporate cash registers and sales systems to VAT returns.

In addition, tax authorities should continue their efforts towards closer cooperation and exchange of best practices.

Tax authorities should work towards an effective communication and interoperability between all databases regarding fiscal matters at Union level. Blockchain technology could also be used in order to better protect personal data and improve the online exchange of information between tax authorities.

## Value added tax (VAT): administrative cooperation in order to combat VAT fraud

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The European Parliament adopted by 591 votes to 18, with 86 abstentions, under the consultation procedure, a legislative resolution on the proposal for a Council regulation amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud.

The European Parliament approved the Commission proposal subject to amendments.

#### Deepening transnational cooperation to combat VAT fraud

Parliament recalled that the existence of significant differences between Member States, with VAT gaps ranging from 0.6% to 35.5%, underlined the need to deepen transnational cooperation to better combat VAT fraud, in the context of e-commerce in particular, but also in a more general context (including carousel fraud). Indeed, according to the Commission, the difference between the expected VAT revenue and the amount actually collected, in the Union amounted to EUR 137 billion in 2017, representing EUR 267 of lost revenue per person in the Union.

#### More effective fight against VAT fraud

Parliament proposed that:

- all Member States should take measures in order to reduce the percentage of late replies and improve the quality of requests for information;
- the new central electronic system for payment information ("CESOP") should keep the information for a maximum period of five years (rather than three years) from the end of the year in which the information was transferred to the system;
- the Commission should be able to conduct visits to the Member States in order to evaluate how cooperation arrangements on cross-border VAT fraud between Member States work;
- Member States and the Commission should set up a common system for collecting statistics on intra-Community VAT fraud and publish national estimates of VAT revenue losses resulting from such fraud as well as estimates for the Union as a whole;
- Eurofisc's annual report should examine whether the resources devoted to Eurofisc are adequate and sufficient to improve cooperation between Member States and fight efficiently against VAT fraud;
- Eurofisc's annual report should assess whether the resources allocated to it are adequate and sufficient to improve cooperation between Member States; it should, inter alia, specify the number of officials authorised to be present in the offices of the administrative services of another Member State or the number of qualified human resources staff present in the administrative offices and involved in administrative enquiries and simultaneous controls;
- lastly, information exchanged on payments to combat VAT fraud should also be used in the implementation of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing.

#### Strategy for fighting against VAT fraud

Parliament stated that this strategy should evolve in parallel with the increasing modernisation and digitalisation of the economy while rendering the VAT system as simple as possible for businesses and citizens. Member States should therefore continue to invest in technology-led tax collection, notably by automatically linking corporate cash registers and sales systems to VAT returns.

In addition, tax authorities should continue their efforts towards closer cooperation and exchange of best practices, including through the Tax Administration EU Summit (TADEUS), a network of Member States heads of tax administrations that seeks better coordination at strategic level between tax administrations.

Tax authorities should work towards an effective communication and interoperability between all databases regarding fiscal matters at Union level. Blockchain technology could also be used in order to better protect personal data and improve the online exchange of information between tax authorities.

## Value added tax (VAT): administrative cooperation in order to combat VAT fraud

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PURPOSE: to improve the exchange of information on cross-border payments in order to combat VAT fraud in e-commerce.

LEGISLATIVE ACT: Council Regulation (EU) 2020/283 amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud.

CONTENT: this Regulation, together with [Council Directive \(EU\) 2020/284](#), completes the VAT regulatory framework for e-commerce that entered into force in January 2021, which introduced new VAT obligations for online marketplaces and simplified rules on compliance with VAT obligations for online businesses.

The Regulation introduces amendments to the regulation on administrative cooperation in the field of VAT. The amendments set out details of how national tax authorities shall cooperate in this area in order to detect VAT fraud and monitor compliance with VAT obligations.

In concrete terms, the Regulation provides for the establishment of a central electronic system for payment information (CESOP), to which Member States shall transmit information on the payments they collect and which they may store at national level.

For each beneficiary, CESOP shall store, aggregate and analyse all relevant VAT information on payments transmitted by Member States.

CESOP shall:

- allow for a full overview of payments received by payees from payers located in the Member States and make available to the Eurofisc liaison officials the result of specific analyses of information;
- be able to recognise multiple records of the same payment, for example the same payment could be reported both from the bank and the card issuer of a given payer, to clean the information received from the Member States, for example by removing duplicates and correcting errors in data;
- allow Eurofisc liaison officials to cross-check payment information with the VAT information they hold, to make enquiries for the purpose of an investigation into suspected VAT fraud or in order to detect VAT fraud and to add supplementary information.

CESOP shall retain the information transmitted for a maximum period of 5 years from the end of the year in which the information was transmitted to it. Access to CESOP shall only be granted to Eurofisc liaison officials who have a personal user identification for CESOP.

The Commission shall ensure the development, maintenance, hosting and technical management of a central electronic system for payment information (CESOP) for the purposes of investigating suspected cases of VAT fraud or detecting VAT fraud.

ENTRY INTO FORCE: 22.3.2020.

APPLICATION: from 1 January 2024.