

Brussels, 2 February 2009

Fight against tax fraud: Commission proposes measures to allow better cooperation between tax authorities

In the framework of its strategy to better combat tax evasion and fraud ([IP/06/697](#)), the European Commission today adopted two proposals for new Directives aimed at improving mutual assistance between Member States' tax authorities in the assessment and the recovery of taxes. One of the key elements of the proposals is that Member States would no longer be able to invoke bank secrecy in order to refuse cross border co-operation.

Commissioner for Taxation and Customs, László Kovács, said: "In a globalised world, where tax evaders and fraudsters take advantage of the different limitations on national tax administrations, efficient cooperation and mutual assistance between tax administrations is essential in better combating tax fraud. Improved transparency, based on quick and simple information exchange mechanisms, is therefore crucial. In particular, it is unacceptable that bank secrecy in one Member State can be allowed to constitute an obstacle to the correct assessment by the tax authorities of another Member State of the amount of taxes due by one of its resident taxpayers."

Administrative cooperation in the assessment of taxes

One of the novelties of the proposal on improved administrative cooperation in the assessment of taxes¹ is its wider scope, as it covers all taxes except those that are dealt with under a specific European Community legislation, i.e. VAT and Excise duties.

The proposal aims to help Member States to efficiently cooperate at international level, in order to overcome the increasing difficulties that they are experiencing in properly assessing taxes due. The proposal provides clearer and more precise rules in the area of cooperation. In particular, it sets up common rules of procedures, common forms, formats and channels for exchanging information. It also allows tax administration officials in one Member State to be on the territory of another Member State and to participate actively – with the same powers of inspection - in administrative enquiries carried out there.

One of the main elements of the new draft Directive is to tackle the question of bank secrecy being invoked to refuse cross border co-operation. Based on the OECD Model Convention, the proposal contains a provision by which a requested Member State cannot refuse to supply information concerning a taxpayer of the requesting Member State solely because this information is held by a bank or other financial institution. As such, the proposal abolishes bank secrecy in the relations between tax authorities when a requesting Member State is assessing the tax situation of one of its resident taxpayers.

¹ COM(2009)29

Another crucial element of the proposal is that Member States are obliged to provide the same level of cooperation to their EU partners as they have agreed to with any third country, thus stressing the specific EU dimension.

Mutual assistance in the recovery of taxes

The proposal to improve mutual assistance in the recovery of taxes² aims at reinforcing and improving recovery assistance between the Member States. This should help to increase the recovery ratio, which currently only amounts to approximately 5% of the total for which recovery assistance is requested.

The Commission proposes in particular to:

- Cover all taxes and duties levied by the Member States and their administrative subdivisions, as well as compulsory social security contributions;
- Introduce compulsory spontaneous exchange of information concerning refunds of taxes made by national tax authorities to non residents;
- Allow officials of one country to actively participate in administrative enquiries on the territory of another country;
- Allow that recovery assistance is requested in an early stage of the recovery process, if this leads to an increase of the recovery chances;
- Simplify and rationalise the procedures to be used when requesting or providing mutual assistance;

Background

Current arrangements for mutual assistance in the assessment and the recovery of taxes respectively date from 1977 (Council Directive 1977/799/EEC) and 1976 (Council Directive 1976/308/EEC).

At that time, the mobility of persons and capital was incomparable to how it is today. Today, fraudsters take advantages of the territorial limitations on national tax authorities, in order to hide income obtained in other countries or organise insolvencies in countries where they have tax debts.

In general, the economic literature considers tax fraud to account for approximately 2 to 2.5% of GDP, i.e. between €200 and 250 billion. VAT carousel fraud (see [MEMO/06/221](#)) is one of the biggest problems, but smuggling and counterfeiting alcohol and tobacco (excise duty fraud) and fraud in the field of direct taxation are equally serious.

The texts of the proposals are available at this web link:

http://ec.europa.eu/taxation_customs/index_en.htm

Further information on the strategy to improve anti-fraud measures can be found at:

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

² COM(2009)28