CASE - Centrum Analiz Społeczno-Ekonomicznych
CASE - Center for Social and Economic-Research

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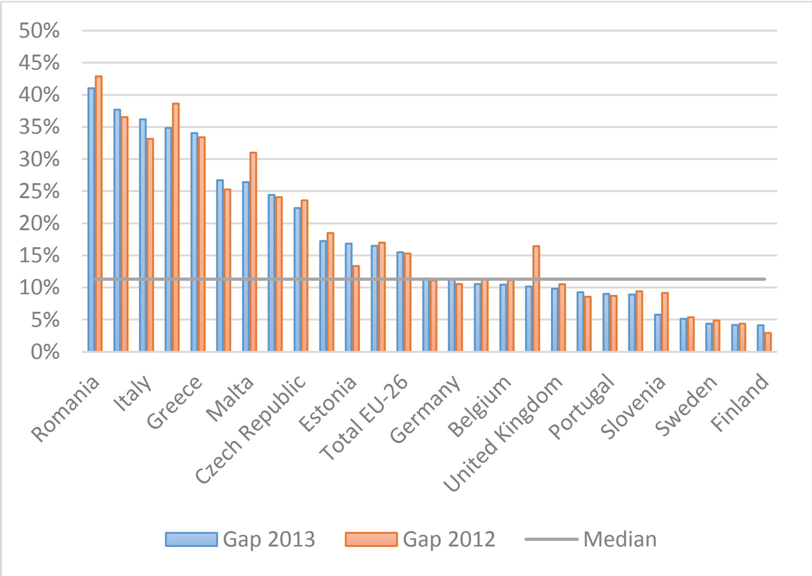
Non-compliance costs Europe €168 billion in VAT revenues in 2013

Only in 2013 the EU Member States lost approximately **€168 billion** in VAT revenues due to non-compliance, according to a recent study conducted by the Center for Social and Economic Research (CASE) for the European Commission. The report: "**Study to Quantify and Analyse the VAT Gap in the EU Member States**" examines the reasons for and reality of the VAT underperformance across twenty six Member States[1] .

Compared to 2012, EU26 saw €2.8 billion increase in VAT-GAP in absolute numbers. Overall, 15 Member States decreased their VAT Gaps, with the largest improvements noted in Latvia, Malta, and Slovakia. However, at the same time 11 Member States saw an increase in the VAT Gap, with the largest deteriorations in Estonia and Italy.

Emphasizing the diversity of the EU's tax administrations, the study estimated that the VAT non-compliance in 2013 ranged from 4% in Finland, the Netherlands, and Sweden, to as much as 41% in Romania.



VAT Gap in the EU-26 Members States

"The overall underperformance was due to unfavorable economic environment, as the GDP of the European Union in 2013 was nearly stagnant." – said Grzegorz Poniatowski, one of the report's authors

[1] The study does not cover Croatia and Cyprus due to due to as-yet-incomplete national account statistics for the two countries.

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– “An increase in VAT gap in 2013 can also be explained by the increasing phenomenon of ‘missing trader frauds’ and carousel frauds”.

The report also provides new and expanded evidence on the Policy Gap for the EU-26. The Policy Gap is an indicator of the additional VAT revenue that a Member State could theoretically collect if it applied standard rate to all consumption of goods and services supplied for consideration. The study shows that several Member States, including Belgium, Finland, France, Greece, Ireland, Luxembourg, Netherlands, Portugal, Spain, and the United Kingdom, could collect up to 50% more revenue if they applied a unified tax on all consumption.

“**Study to quantify and analyse the VAT Gap in the EU Member States**” was commissioned by the European Commission (DG TAXUD) and written by a team of experts from CASE, directed by Luca Barbone, and composed of Mikhail Bonch-Osmolovsky and Grzegorz Poniatowski.

Read the report: [LINK]

Read the European Commission news release: [LINK]

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CASE – Center for Social and Economic Research is an independent non-profit economic and public policy research institution established in 1991 in Warsaw. CASE scholars and researchers assisted policy-makers during the early years of transition, before turning their attention to the challenges inherent in the European Union enlargement process and then EU key policy challenges in the globalized world. While remaining focused on five core thematic areas of: (1) European Neighbourhood Policy, enlargement, trade and economic integration, (2) labour markets, human capital and social policy, (3) innovation, competitiveness and entrepreneurship, (4) reforms, growth and poverty reduction in developing and transition countries, (5) macroeconomics and public finance, CASE contributes to new debates facing Europe, including the economic impact of climate change mitigation policies and the economics of energy policy. Apart from this research work, CASE also organizes international conferences and seminars to foster discussion on current social and economic topics.

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