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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE
COMMITTEE OF THE REGIONS**

Final evaluation of the Fiscalis 2013 programme

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1. BACKGROUND

The Fiscalis 2013 programme was established by Decision 1482/2007/EC¹ as a multiannual Community action programme to improve the operation of the taxation systems in the internal market. It was the fourth² in the series of cooperation programmes launched following the creation of the European single market in 1993. The abolition of physical and tax controls on goods crossing the European Union's internal borders created an urgent need to foster intensive cooperation between the tax administrations.

The subsequent programme iterations evolved over time, aiming ultimately to improve the operation of the taxation systems in the internal market. Well-functioning taxation systems in the internal market are to be understood, as suggested by the legislator and interpreted by the evaluation, as national financial interests protected against tax evasion and avoidance, the market protected from unfair competition, and administrative burdens on administrations and taxpayers reduced. In Fiscalis 2013, this general objective was to be achieved through effective, efficient and uniform application of the EU tax law as well as efficient and effective information exchange, administrative cooperation and sharing of good administrative practice in the areas of VAT, excise duties on alcohol and tobacco products, as well as taxes on energy products and electricity and direct taxes.

2. THE PROGRAMME

The primary beneficiaries of the programme were the tax administrations of the EU Member States, followed by the tax administrations of the candidate and potential candidate countries. In respect of candidate and potential candidate countries, the programme intended to help their administrations take the necessary measures for accession in the field of tax legislation and administrative capacity. The economic operators were not directly targeted by the programme, but some of its activities, through reducing the administrative burden, brought them some benefits as well.

To achieve the programme's objectives, the following activities were carried out: (1) development and operation of communication and information-exchange systems; (2) joint actions: multilateral controls, seminars, project groups, working visits and any other activities required for the realisation of the objectives of the programme; (3) training activities.

The overall financial envelope for the programme's duration (6 years) was set at EUR 156.9 million. Fiscalis 2013 allocated almost 75% of its budget to the development and maintenance of the trans-European IT systems, spanning all EU Member States, with responsibilities distributed across the national administrations and the European Commission. Collaboration takes place on a secured Common Communication Network/Common Systems Interface (CCN/CSI), which assures the interoperability of all national information systems. Towards the end of the programming period, there were approximately 60 trans-European IT applications across the customs and the taxation fields, using the CCN/CSI platform.

The main IT applications were:

- the VAT Information Exchange System (VIES) and VIES-on-the-Web,

¹ Decision No 1482/2007/EC of the European Parliament and of the Council of 11 December 2007 establishing a Community programme to improve the operation of taxation systems in the internal market (Fiscalis 2013) and repealing Decision No 2235/2002/EC;

² Matthaeus-Tax (1993), Fiscalis 2002 (1998-2002), Fiscalis 2007 (2003-2007) and Fiscalis 2013 (2008-2013);

- VAT Refund, VAT and Direct Taxation exchange e-Forms,
- the Tax Identification Number (TIN) on-the-Web module,
- the Excise Movement and Control System (EMCS),
- the System for Exchange of Excise Data (SEED).

3. THE SET-UP OF EVALUATION

3.1. Requirements, purpose and scope

In compliance with Article 19(1) of the programme's Decision, the European Commission designed and contracted the final evaluation of the programme to an external consultant. The evaluation study³ was carried out by Ramboll Management Consulting AS, assisted in the process by the steering group composed of the relevant Commission staff and representatives of four participating countries. The present report relies on the findings and judgements as presented in the external evaluation report and validated by the steering group. The report fulfils the obligation of Article 19 (3b) to submit a final evaluation report to the European Parliament and the Council.

The evaluation covered the entire duration of the programme (years 2008-2013) and all types of activities. Given the increasing emphasis on efficiency of EU expenditure and for the sake of proportional analysis, the evaluation paid particular attention to the above mentioned IT systems funded by the programme, whose effective functioning was considered essential to the overall success of the Fiscalis programme.

3.2. Methodology

The evaluation was structured around five main evaluation questions: (1) the extent of the contribution of the pan-European electronic tax environment towards better functioning of the taxation systems in the internal market and the fights against fraud; (2) unexpected and/or unintended results and impacts and their role in the programme's operations; (3) programme dissemination (awareness, knowledge and implementation), and; (4) value for money; (5) the EU added value.

There were several constraints, which had to be taken into consideration when evaluating the Fiscalis 2013 programme. Firstly, many of the programme's activities were continued from its previous iteration – Fiscalis 2007 - and as such the results and impacts could only rarely be linked uniquely to the Fiscalis 2013. Secondly, there existed no baselines, or comparison (counterfactual), against which the programme could have been judged and it was not possible to assess a scenario without Fiscalis, except in a hypothetical way. Thirdly, there was very little quantitative data available to the evaluators, for example on amounts of fraud detected or tax recovered in general, let alone the amounts that could be attributed to the Fiscalis 2013 programme; therefore the evaluators relied largely on the perceptions of the stakeholders consulted (through general survey, targeted interviews and in-field case studies), who more often than not were themselves unable to quantify the benefits or advantages that they nevertheless felt to have occurred.

Moreover, irregularities detected using the tools offered by the Fiscalis programme would usually require further investigation or trigger legal proceedings. Any prevention on the other hand, and prevention of fraud in particular, is inherently difficult to even estimate, let alone

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http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/fiscalis2013_final_evaluation.pdf

evaluate. Finally, even if such data was accessible, establishing a strong causal relationship between an observed change and the activities of the Fiscalis 2013 would have been fraught with methodological errors.

Taking into considerations these constraints and the programme's context, to answer the above mentioned questions, the evaluation used the *contribution analysis* – a methodology particularly well suited to evaluate the likely contribution of an intervention operating in a complex environment to expected and observable results. This approach was chosen with thorough consideration of the Fiscalis programme's context, where asking a classical causality question would not yield the sought for results, due to multiple underlying mechanisms and factors within and outside of the programme that allowed for a result to materialise, and any contextual factors that influenced it. Instead, the contribution analysis sought to show the programme's *likely contribution* by demonstrating its direct use by national tax administrations and the benefits it produced.

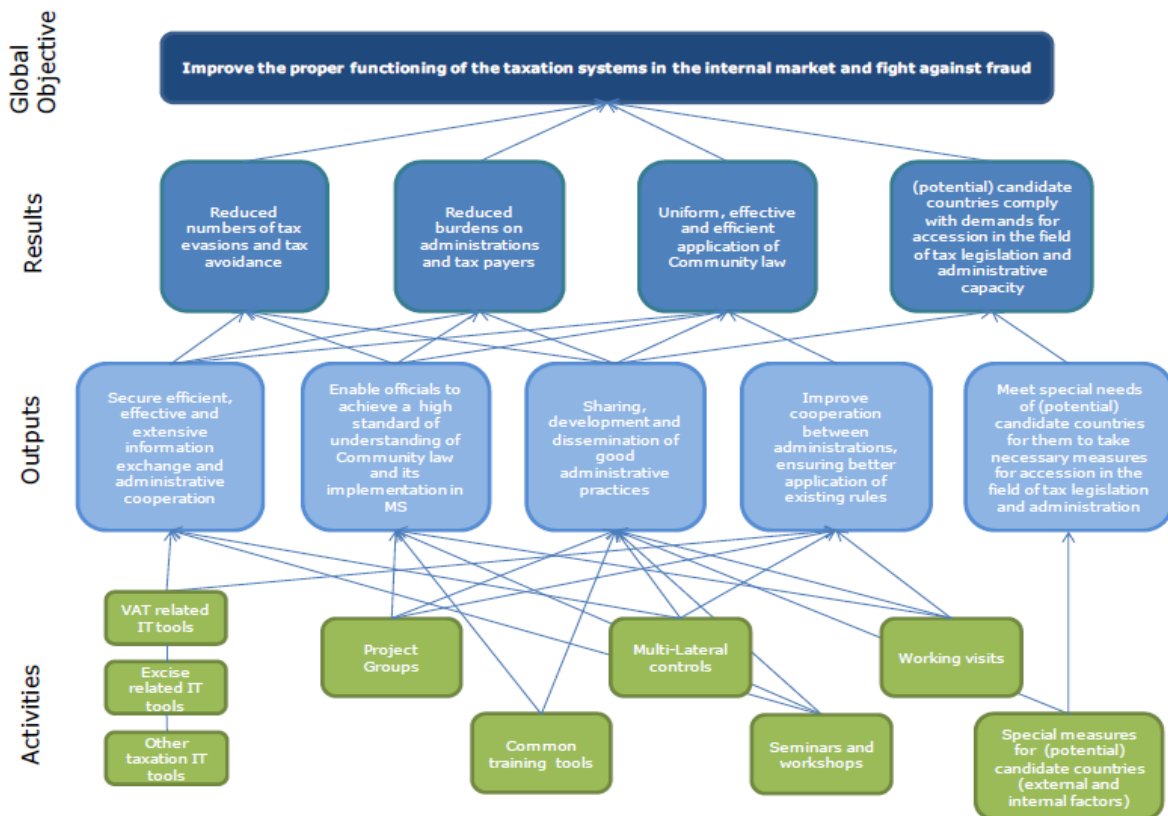
3.3. Intervention logic

The evaluation relied on a logical framework - *the intervention logic* - linking the activities of Fiscalis 2013 (i.e. various joint actions and IT systems) with its ultimate objective (i.e. better functioning taxation systems in the internal market and fight against fraud), translated into results (i.e. reduced tax evasion and avoidance, reduced administrative burden, uniform and effective application of the EU tax law, and better prepared candidate countries⁴). This intervention logic, as depicted on the following page, represents the understanding and interpretation agreed with the steering group and the external consultant with regard to the expected causal linkages between activities, output, results and impact (global objective).

3.4. Judgements and conclusions

Judgements and conclusions were derived directly from findings based on the evidence collected. To ensure robustness of findings, the evaluation used several data collection methods, including surveys, interviews, desk research (including existing analyses and monitoring data) and case studies. This methodological mix was on overall considered by the stakeholders and steering group as appropriate and yielded the expected information.

⁴ For the purpose of the evaluation, candidate and potential candidate countries were treated as any other participating country, taking their specific status into consideration whenever pertinent;



4. EFFECTIVENESS OF FISCALIS 2013 – THE CONTRIBUTION STORY

Overall, the evaluation concluded that the contribution of Fiscalis 2013 to the better functioning of the internal market for taxation was clear albeit most of the time unquantifiable. The present section presents the findings of the evaluation as regards the programme's *effectiveness* through its contribution towards the expected results on the reduced tax evasion and tax avoidance (4.1); uniform, effective and efficient application of EU tax legislation (4.2); reduced burdens on administrations and taxpayers (4.3).

4.1. Reduced tax evasion and avoidance

The main objective of the IT systems in the area of taxation was to allow for a rapid exchange of secure information between the tax administrations and thus for the efficient fight against fraud. These IT systems can be seen as pivotal in supporting the daily work of tax officials across the EU and have become thoroughly ingrained in the national administrations.

Two key IT systems contribute particularly to this objective: the VAT Information Exchange System (*VIES*) and the Excise Movement and Control System (*EMCS*) with the information provided by the embedded System for Exchange of Excise Data (*SEED*) database. The VIES system enables information on intra-EU supplies to be exchanged between the tax administrations of the Member States, with the purpose of VAT control; VIES-on-the-web allows for quick identification of the VAT number of a trading partner; while the EMCS is a compulsory integrated computerised system used by the excise administrations to monitor the movements of excisable products.

These IT systems provided the national authorities with the means to control for irregularities in the cross border transactions. In the VAT, this was possible thanks to information on the volume, nature and parties in a VAT-taxable transaction. The recent changes to the VIES

database led to reduced number of retroactive corrections and discrepancies, faster updates and more reliable turnover data. Moreover, the reduced timeframe for submitting and transmitting recapitulative statements has accelerated information exchange, thereby providing tax administrations with an important advantage⁵. The evidence collected from the stakeholders through the external evaluation made clear that the VIES system supported national administrations in identifying fraud by allowing them to cross-check taxpayer declarations submitted nationally with those submitted elsewhere and detect irregularities faster.

In addition to the information from the VIES system, the Fiscalis 2013 programme offered the tax officials the possibility to exchange more specific requests or information using the *CCN mail*, in particular the VIES mailbox, designed for the exchange of VAT-related e-Forms and the TAXFRAUD mailbox. These two channels related to the detection of fraud registered respectively over 578,000 and 187,000 messages exchanged between Member States over the programme period 2008-13. These messages constitute confidential exchanges between Member States and the European Commission is not privy to their content. It is therefore impossible to directly evaluate the results stemming from these exchanges but the sheer numbers show that the cooperation is well present and dynamic.

In the excise duties, the means to control for irregularities in the cross border transactions were provided by the *EMCS*, which allowed for the real time monitoring of the movements of duty suspended goods, from the pre-arrival notification to the release for consumption, as well as instant verification of the operators authorised to send and receive excise goods provided by the *SEED* database. In addition, the systems were considered by the stakeholders to have made fraudulent behaviour more difficult, risky and costly, which in itself might have deterred the incentives to fraud. After the introduction of the EMCS, for example, for fraud to take place, the consignor and the consignee would have to collude, willingly taking part in a fraudulent transaction. Also, the electronic guarantees bonded with each transaction made it easier for the tax officials to help ensure that the tax was duly collected.

The external evaluation concluded that the *standard e-Forms* in the area of VAT and direct taxation contributed to fraud prevention albeit not so much in terms of detecting fraudulent transactions, but rather in assisting the tax officials in calculating the correct tax liability. Similar results were achieved thanks to the automatic exchange of information related to the Savings Directive⁶ using the common XML schema, which supported correct tax assessment, provided the information was timely and correct.

Outside of the IT area, Fiscalis 2013 programme offered the Member States effective tools to cooperate against tax abuse – the joint actions - giving the tax administrations a framework within which to share their expertise and experience. It financed the logistic and technical operations of the *EUROFISC platform*, which was regularly identified by tax officials as an important channel to promote and facilitate multilateral and decentralised cooperation among Member States, permitting targeted and swift action to combat specific types of fraud. For example, the rapid exchange of information between VAT anti-fraud units in different Member States and the development of common risk analysis models were considered by

⁵ COM(2014)71 final “Report from the Commission to the Council and the European Parliament on the application of the Council Regulation (EU) No 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax”;

⁶ Council Directive 2003/48/EC on taxation of savings income in the form of interest payments;

stakeholders as important tools for the early detection of carousel fraud⁷, where quick reaction from the authorities is known to be of key importance.

Multilateral controls on the other hand, allowed tax auditors from the Member States to jointly apply their knowledge leading to the identification of additional due tax revenue of an approximate value of EUR 3.26 billion⁸. Moreover, according to the tax authorities, together with the automatic exchange of information under the Savings Directive, it created a ‘compliance effect’ amongst taxpayers, making them realise that information on their operations and tax obligations is shared between Member States. It directly reduced the incentive to evade taxes by increasing the probability of it being detected.

Other joint actions, in particular the targeted events such as *seminars* and *working visits*, gave the national administrations a better understanding of the organisation set-up and administrative practice of their counterparts in other Member States. While this exchange did not lead directly to reduced levels of fraud, the tax authorities did find it helpful for the effective information exchange to this purpose, facilitating direct contacts between the relevant departments.

4.2. Uniform, effective and efficient application of EU tax legislation

The IT systems supported by the Fiscalis 2013 programme were well used and globally appreciated (even though some might have not reached their full potential yet as explained below). For example, there were more than 500 million messages⁹ per year exchanged by the national administrations on the EU cross-border transactions through the VIES system alone and the system is one of the core elements underpinning the administrative cooperation in the sense of the Council Regulation 904/2010¹⁰. The evaluation showed that the system was an essential part of the Member States’ tax administrations’ toolbox in conducting VAT risk analysis, with many officials using it on a daily basis.

Moreover, some of the systems directly support the implementation of the EU acquis for administrative cooperation in taxation, as do for example the Fiscalis-funded EMCS and VIES for the excise duties¹¹ and VAT¹² respectively, as well as the e-Forms in the field of direct taxation¹³ (albeit as of January 2013 only when the latter were introduced). Furthermore, the cooperation through pan-European electronic systems helped Member States to better respect the regulatory deadlines for exchange of information as required by the above mentioned EU legislation on administrative cooperation, allowing information to be exchanged faster and more precisely (thanks to, for example, the standardised e-Forms). With regard to the EMCS system, the extremely low technical error rate (occurring in less than 1%

⁷ Carousel fraud involves goods being imported VAT-free from other EU countries, but rather than being sold for consumption, they are then sold through a series of companies before being exported again. Each company illegally reclaims the VAT charged to it;

⁸ This figure relates only to due taxes identified through the operations of the multilateral controls only;

⁹ The content of the exchanged messages remains a matter of confidential exchange between the Member States to which Commission is not privy;

¹⁰ Council Regulation 904/2010 on administrative cooperation and combating fraud in the field of VAT;

¹¹ Council Regulation (EU) 389/2012 on administrative cooperation in the field of excise duties and Commission Regulation (EC) 684/2009 implementing Council Directive 2008/118/EC as regards the computerised procedures for the movement of excise goods under suspension of excise duty;

¹² Council Regulation 904/2010;

¹³ Council Directive 2011/16/EU on administrative cooperation in the field of taxation;

movements)¹⁴ also shows that the system offered a significant advantage over the old paper-based and error-prone system, allowing the excise acquis to be implemented smoothly.

The correct application of the EU legislation was further facilitated by the joint actions, which allowed Member States to exchange views on interpretation of EU provisions, implementation and enforcement challenges, national characteristics, and best practice. What is more, the joint actions allowed Member States to focus on specific problem areas, e.g. design and implementation of a new e-Form (as it was the case for the VAT return form, which had to be in place for the development of the Mini One Stop Shop) or implementation of a certain IT application (e.g. the EMCS or VAT Refund). The importance of the informal setting provided by the programme to discuss such issues allowed for a broader convergence among Member States and was consistently praised by the stakeholders during the evaluation. These aspects combined contributed to increasingly uniform understanding, interpretation and design of the EU VAT law, adjusted mutual expectations and mapping of different practices and procedures.

4.3. Reduced burdens on administrations and taxpayers

The external evaluation and other available qualitative information showed that many of the IT systems led to a perceived reduction of administrative burden for national administrations and economic operators.

The *e-Forms* and *CCN/CSI platform* used conjointly made the greatest contribution to reducing the burden for the national administrations. It led to increased efficiency through limiting the lengthy resource-intensive paper-based procedures, streamlining and simplifying the electronic exchange of information thanks to the common template and guidance provided by the pre-set fields to formulate and respond to requests. It also led to the increased effectiveness of this cooperation thanks to greater accuracy and utility of the information exchanged. This was mainly achieved through the targeting of the sought-for and provided information and common interpretation of requests.

Significant benefits stemmed also from the regular use of the *VIES*, *VIES-on-the-web* and the *EMCS* systems even though their primary objective was to ensure taxes and duties are collected properly. Tax administrations considered that they made detection of irregularities faster, cooperation and monitoring more convenient and reaction time shorter as compared to the previous paper-based procedure. With regard to the EMCS system, the statistical analysis showed that the average time for discharge of an excise movement (between validation of the electronic document and the sending of the report of receipt at destination) was 6.8 days, which was considered very short¹⁵.

For the economic operators, *VIES-on-the-web* directly reduced lead-time for validation of the VAT numbers of their trading partners, who no longer had to use the intermediary of the national administration. 157 million validations took place within the application in one year alone. Assuming each of these had to be dealt with by a five-minute telephone call, *VIES-on-the-web* reduced compliance costs by an estimated EUR 160 million on the side of national tax administrations and a similar amount for the economic operators. Furthermore, as of

¹⁴ COM(2013)815 final, "Report from the Commission to the European Parliament and the Council on the functioning of the arrangements for the computerised supervision of excise movements under duty suspension and on the application of the administrative cooperation rules in the area of excise duties, in accordance with Article 8(3) of Decision No 1152/2003/EC, Article 45(1) of Directive 2008/118/EC, Article 35(1) of Council Regulation 9EC) No 2073/2004 and Council Regulation 9EU) No 389/2012;

¹⁵ COM(2013)850 final;

January 2010 the VAT Refund electronic procedure entered into operation, simplifying the refund process by allowing business to directly apply for a VAT refund in the Member State of establishment for VAT incurred in another Member States. While the evaluation concluded that it was too early to assess the full impact of the application on the cost reduction for businesses, the analysis of the surveys sent out to the tax and excise officials in 2012 by the Commission with the objective of conducting a cost-benefit analysis of the major IT systems supported by Fiscalis 2013, did collect some preliminary indication from a number of Member States that the efficiency of the administration had indeed increased. The evaluation furthermore recommended that tax payers are specifically targeted in the programme's activities and evaluation (recommendation 7).

In relation to the EMCS, the system has also delivered a number of administrative advantages for economic operators, including reduced paper-based handling, faster conclusion of duty suspension procedures and the integration of processing with existing computerised systems. These benefits were particularly true for the larger businesses, trading frequently and having bigger IT capacity, while the smaller ones, using the duty suspension procedures sporadically, found it more difficult to adapt due to relatively high technical and financial requirements (e.g. guarantee requirement) for movements of duty suspended goods.

In the area of direct taxation, the programme supported the Tax Identification Number (TIN)-on-the-web application. This is a system providing a web-enabled interface allowing end-users to verify Tax Identification Numbers for any Member States, with a view to quickly identifying taxpayers and facilitating the administration of their national tax affairs, or for identifying taxpayers who invest in other EU countries. The evaluation concluded that TIN-on-the-web application was underused, which made it impossible to evaluate the sought for reduction in administrative burden. However, the reasons for the low use are not programme-induced and stem from a variety of factors, the main one being that there is no TIN at EU level, and not all EU countries have or use them. Some countries have other identifiers, which for legal or other reasons cannot be treated as TINs, while others do not issue them automatically to all taxpayers.

5. EFFICIENCY

A large proportion of the programme expenditure was committed to the operation and support of the IT systems (approximately 75%), of which the lion's share was allocated to the CCN/CSI network. Considering that CCN/CSI supports the exchange of information between the Member States for all trans-European IT systems and allows all Member States equal participation in exchange of information, this investment was deemed by the national administrations necessary and highly valuable.

Given that the CCN/CSI network was a platform common as well to the Customs 2013 programme, the evaluation found that investing in this network was not only pragmatic from the point of view of the IT operations, but brought about economies of scale of a single IT architecture. While more harmonisation between tax and customs processes is still possible (for example, regarding the interoperability between EMCS and the customs systems) and recommended to be improved (recommendation 6), the Commission and national administrations aimed at increasing synergies and shared development of IT modules, through organising joint projects groups between tax and customs authorities.

On the operational level further efficiency gains were achieved in the implementation and operation of the IT systems by promoting reuse of technology and developing common services. These included strategies designed to promote cost savings such as a single

methodology to manage the IT systems, consolidation of data centres and shared web publishing environments with Member States across the taxation areas. Moreover, to ensure efficient development of functionality and operations support, the IT operations were largely outsourced, with only little operational or development activity in-house.

Operational support to the Member States to help implement and run the IT systems represented an important part of the Fiscal 2013 budget on IT spending, above 40%. The Commission worked closely with the Member States to ensure maximum scrutiny and adequacy. This included the development of common specifications and applications that could be applied in each Member State as well as visits to the Member States in order to help troubleshoot any issues or perform necessary connectivity tests. Conformance testing was as one of the areas which offered best value for money as the tools developed centrally could be used by all Member States (e.g. the Self Service Test System (SSTS) designed to allow Member States greater control to perform their conformance testing). The evaluation suggested more central application could be developed (recommendation 5).

The replies to the 2012 Commission survey on cost-benefit analysis of the major IT systems supported by Fiscalis 2013, revealed the difficulties the Member States had in calculating the cost of national implementation; no Member State presented copy of existing national studies or assessments while estimations from 17 Member States of costs related to the setting up and running EMCS between 2007 and 2011 varied between EUR 1.1 m and 18.8 m. Even fewer Member States were able to monetise the benefits and the evidence to this extent is highly anecdotal, e.g. one Member State reported 10% increase in revenue collected in the year following the introduction of the EMCS. However, there were positive answers with respect to the impact of the IT systems on the efficiency of the administration, with majority of the Member States considering that the efficiency of their administrations had improved after introduction of the EMCS, VIES or VAT Refund. Anecdotal evidence suggests that in the case of one Member State, the cost of implementing EMCS had more than paid for itself due to the discovery of several high value fraud schemes.

To further facilitate and streamline information sharing, organisation of activities and networking, in 2012 the Commission launched the Programme Information and Collaboration Space (PICS), to be used by both the Fiscalis 2013 and its sister Customs 2013 programmes. It provided the national administrations with a common working space where to exchange information and collaborate online and was generally considered as a positive move towards the more efficient use of resources. However, through evaluation it became clear that the overall awareness of the tool's function and use was still low and its potential currently underexploited and a recommendation was made to this extent (recommendation 3).

As the Fiscalis 2013 programme operated mostly in a time of economic austerity, the drive for maximum efficiency was strong amongst the Commission and the participating countries. It brought the parties together to yet more closely collaborate on joint development of common tools or national applications or share best practices in IT solutions.

In any case, the IT systems supported by the Fiscalis 2013 programme cannot be considered in isolation and with no regard to the value of the very information they enable to flow. It is very difficult to monetise the value of information exchange, as data on tax recovered or reassessed is often inaccessible. However, the real value of the IT systems should be seen through the prism of their high use and their role in facilitating rapid and secure information exchange between the Member States. Information exchange between all EU countries using IT systems supported by Fiscalis was considered by stakeholders vital in order to enable the

tax officials to better monitor intra-EU transactions or movements, and assess associated tax due.

Were similar systems to be developed individually on a national level, their efficiency would be nowhere near the current levels, at the expense of being less interoperable, less uniform and ultimately, less effective. The set-up and subsequent running costs of such systems would also be significantly higher if not prohibitive.

Although joint actions accounted for a smaller share of the total budget of Fiscalis 2013, the participating countries considered them to be the unique value of the programme. Over 23,400 officials participated in various seminars, workshops, project groups, training and multilateral controls. The average cost per participant financed via the programme was just under EUR 1,000, which the external evaluation considered very reasonable, given that it included travel and subsistence expenses, as well as necessary organisation costs, including linguistic support. As in the case of the IT systems, the evaluation concluded that the value of information exchange through and knowledge gained thanks to these activities is mostly unquantifiable, with the greatest benefits laying in the sustainable human networks, common understanding, interpretation and application of the EU law.

The example of the multilateral controls illustrates well the programme's potential put against its costs. The reported amount of tax due identified on the basis of approximately 85% of closed multilateral controls – EUR 3.26 billion - translates into a ratio of almost EUR 1:1 350 (ratio between EUR 2.41 million actually spent on all multilateral controls and EUR 3.26 billion of taxes due identified and reported). While the actual recuperation of tax due is a matter of further national proceedings and this example by no means should speak for the programme's overall efficiency, it is a good illustration of the possible economic benefits the programme can generate, which outgrow easily its expenses.

6. EU ADDED VALUE

In the context of the Fiscalis 2013 programme, the EU added value is defined for the purpose of the final evaluation as the additional gains stemming from acting at the EU-level as compared to a national initiative, a multilateral or even another international initiative. To allow for a clearer demonstration of EU added value, the evaluation assessed it through the criteria of: (1) complementarity of the programme to the above mentioned initiatives; (2) its overall contribution towards its objectives, which were embedded in the broader tax objectives and shared with other initiatives (e.g. fight against tax fraud); (3) reduction of administrative cost and burden (e.g. through common IT platforms, guidelines, procedures, etc.; cross-implementation of best practices identified in the course of the programme's activities; reduction of duplication and overlaps; synergies, etc.); (4) trans-European nature of the tax cooperation and tax fraud best tackled across, not within the Member States, and the values of a common administrative culture and human networks created through the programme; and (5) sustainability of results/impacts if the programme was to discontinue.

6.1. Complementarity of the Fiscalis 2013 programme to other national, regional, international initiatives

The evaluation identified several national, regional and international initiatives external to Fiscalis 2013 programme, aiming at enhancing the exchange of tax information between certain countries, either on a bilateral or multilateral basis. Overall, the evaluation concluded that, rather than leading to overlaps, the Fiscalis 2013 programme complemented and allowed for synergies between these initiatives.

On a national level, the programme predominantly allowed for creation of *synergies* where both Fiscalis 2013 and the national initiatives fed to and from each other to increase the sought for effects. For example, some administrations had integrated information from the VIES system into the workflow software of their tax officials, allowing for much easier access and processing of information. Thanks to the built-in flexibility and voluntary participation in the joint actions, the tax administrations used the Fiscalis 2013 programme to support their national priorities, for example through participation in, sometimes very, specific multilateral controls.

With regard to regional initiatives the Fiscalis 2013 programme played a similar supplementary role. The evaluation brought two examples in: the close cooperation extending to tax issues between the Benelux countries, and the Nordic working group to fight tax evasion (NAIS). However, these and similar initiatives were largely considered to be *complementary* to the Fiscalis 2013 programme, as these other regional initiatives had a different targeted coverage and scope¹⁶.

Fiscalis 20103 programme operated in a similar context as two main international organisations, which activities, objectives and targeted audiences to some extent overlapped with the ones of Fiscalis, namely the Organisation for Economic Co-operation and Development (OECD) and the Intra-European Organisation for Tax Administrations (IOTA)¹⁷. Whereas the overlaps with OECD were negligible due to the organisation's broad mandate, the IOTA's contribution to the results pursued also by the Fiscalis 2013 programme was clear. However, overlaps exist only as far as the Fiscalis programme's joint actions are concerned, e.g. seminars or workshops; none of IOTA's (or other regional) initiatives could substitute in any way the core electronic information exchange with *all* countries facilitated by Fiscalis 2013. Fiscalis 2013 was the only instrument out there with the sole focus on the practical improvement of the tax systems in the internal market, making the programme a unique, tailor-made solution to tackle cross-border tax issues in the EU.

6.2. Contribution to broader tax objectives

In the 2010 Monti Report¹⁸, the need for *exchange of tax information and cooperation between tax administrations* was recognised as one of the measures in the taxation area to improve functioning of the internal market. The Commission 2012 Action Plan¹⁹ to strengthen the *fight against tax fraud and tax evasion* stressed furthermore the need to ensure that the framework for administrative cooperation in the fields of VAT, direct taxation and excise was fully implemented and applied. This fight has since remained a key European priority. The Fiscalis 2013 programme fitted within this framework well by providing the tax administrations with the very means to effectively exchange information (e.g. through the VIES system, EMCS, standardized tax e-forms, etc.) or pool expertise to cooperate on specific tasks (e.g. through multilateral controls, EUROFISC platform, workshops, seminars and other joint actions).

¹⁶ The objective of NAIS was to enter into agreements for the targeted exchange of information with many other countries, including so-called "tax havens" as well as some Member States. However, this collaboration was aimed at facilitating information exchange with targeted countries;

¹⁷ The Intra-European Organisation of Tax Administrations (IOTA), is a non profit intergovernmental Organisation, which provides a forum to assist members in the European countries to improve tax administrations. It has 46 members;

¹⁸ A New Strategy for the Single Market: At the Service of Europe's Economy and Society, Mario Monti, 9th May 2010, p. 80;

¹⁹ Communication from the Commission to the European Parliament and the Council, An Action Plan to strengthen the fight against tax fraud and tax evasion, SWD(2012) 403 final;

6.3. Importance of EU cooperation in reducing of administrative cost and burden

The evaluation concluded that the Fiscalis 2013 programme allowed to reduce the administrative costs and burdens in three main ways: (i) through **standardising** to some extent the exchange of information between tax administration (e.g. through e-forms), (ii) by providing platforms for **secured exchange** (i.e. the CCN/CSI with all IT applications therein anchored), and (iii) by providing **common IT systems** to be used directly by the tax administrations (e.g. the EMCS or the VIES). Detailed description of the programme's contribution to reducing administrative cost and burden is presented in heading 4 of this report. The stakeholders consulted within the evaluation were not able to identify any national or international alternatives to Fiscalis 2013, which could have delivered a similar or higher reduction of the administrative burden on national administrations and economic operators.

6.4. Trans-European nature of the tax cooperation and common administrative culture

The Fiscalis 2013 effectiveness lays predominantly in the programme's **pan-European approach** and the **cross-border solutions** it offers, which could have not been triggered from a national level. These solutions at times consisted of centralised IT systems bringing all participating countries to the same level, at times of higher level of coordination and alignment of goals and expectations achieved thanks to the joint actions. Although the programme did not aim to facilitate creation of a common administrative culture (nor is such culture at the moment desired), it allowed the tax officials to gradually converge in their approach to, understanding of and cooperation with their counterparts from other Member States. The scenario of achieving similar levels of cooperation acting individually and in an uncoordinated fashion was commonly unconceivable by stakeholders. The Commission's role of a coordinator and facilitator was also recognised by stakeholders and recommended to be continued (recommendation 4).

6.5. Sustainability of results

The sustainability of results is analysed from the perspective of discontinuing the programme as due to their nature, most of the Fiscalis activities are not a one-off intervention and rely on its continuous support. In the short term there was some confidence amongst the stakeholders that part of the Fiscalis 2013's effects would remain if the programme was discontinued. These effects included the more noticeable achievements of the programme such as the new skills or human networks. However, stakeholders considered that these **would not remain in the longer term** as the tax administrations operate in a complex and highly dynamic environment, with changing national priorities, economic conditions, restructuring, etc. The participating countries could formally organise activities similar to joint actions on their own accord, practically however it was deemed unlikely to be able to secure the necessary funding and coordinate such actions.

Similar conclusions were reached by stakeholders in relation to IT systems; their support, maintenance and development would be very difficult to maintain at the current levels if they were to rely uniquely on national funding, initiatives and organisation. In fact, the stakeholders unanimously agreed that such systems would quickly become inoperable and inadequate, with the direct consequence of quickly **diminishing information exchange, monitoring and control capacity**, as well as **increased administrative costs and burden**. It is an important argument when bearing in mind that many of the IT systems are not just a 'nice-to-haves' but they are actually **underpinning legislation** (e.g. the EMCS or the requirements of the legislation on administrative cooperation) and their discontinuance would put a strain on the compliance with the EU tax acquis.

Finally, the evaluation concluded that without the Fiscalis programme but given the emphasis on fight against cross-border tax fraud and evasion, some Member States would likely cooperate closer through bilateral or regional agreements, which could ultimately lead to *asymmetry* in the Member States' accesses to information and consequently *facilitate fraud and distort trade*.

7. CONTEXTUAL FACTORS INFLUENCING THE PROGRAMME'S PERFORMANCE

The evaluation, through the contribution analysis, also examined the contextual factors, external to the programme and thus beyond its direct control, which either hindered (inhibitors) or contributed (drivers) to the programme's achievements. The purpose of this exercise was not to precisely assess the extent to which they have weighted on the programme's achievements but to identify them in order to shed some light on the conditions in which the Fiscalis 2013 programme operated. The most important are presented below, which were observed across many Member States.

The evaluation found that *knowledge management strategies within national administrations*, reflecting how national administrations organised cooperation on multilateral controls (MLCs) and IT systems as well as the division of responsibility for tasks related to Fiscalis 2013, contributed positively to the achievements of the programme. For example, a horizontal organisation with few levels of management seems to have been better adapted for a swifter and easier carrying out of multilateral controls while close collaboration between the administration and the IT department provided more flexibility and the ability to respond quickly and efficiently to IT problems.

Partly in the same context the evaluation revealed that the responsibilities for tasks related to Fiscalis 2013 operations were not always clearly assigned in the national administrations, which may have negatively affected the programme's coordination and overall implementation in (some) participating countries. It related predominantly to the role of the *National Coordinators*, who worked with different mandates, in different organisational set-ups and with different resource constraints, which in some cases might have impacted their ability to promote the programme and was therefore recommended to be clarified (recommendation 2).

The *national IT systems* were found to have complemented the functionalities of the Fiscalis funded IT systems and in such instances they mutually reinforced each other creating powerful synergies, as it was the case with, for example, a Spanish tax payer information system *Zujar*, which when used in conjunction with the VIES system allowed for a quick cross-check on VAT transactions. On the other hand, where the national systems were not inter-operable with the Fiscalis 2013 –funded IT systems, the unexploited potential was instantly visible. For example, because the Dutch Export Control System (ECS) was not integrated or connected to the EMCS, all movements which ended outside the Netherlands had to be closed manually, increasing workload and diminishing the real-life monitoring and control capacity.

One of the key inhibitors to realisation of the full potential of Fiscalis 2013 was the *economic crisis* in the EU throughout the duration of the programme. Even though the evaluation did not identify any noticeable differences in the resources dedicated to specific tax areas, the stakeholders largely underlined the overall pressure on resources and drive towards efficiency. In practice, the budgetary austerity reduced the Member States' participation in programme activities and resources to implement national components of the IT systems. The latter was particularly pronounced by stakeholders.

On the other hand however, the evaluation concluded that the economic crisis increased the attention towards ensuring cost efficiency of the activities and led to increased volume of information exchanged through the programme due to Member States placing additional emphasis on revenue collection.

Language barriers were largely identified by stakeholders as a hampering factor, diminishing effectiveness of either oral or written communication and information as well as participation in joint actions.

Awareness and knowledge of the Fiscalis 2013 programme was also seen as a factor clearly influencing the levels of cooperation and information exchange. Whereas the overall awareness and dissemination of the programme's results were widespread, majority of the stakeholders and potential beneficiaries knew only little or very little of the programme. The evaluation also showed that IT systems were often taken "for granted" by the participating countries, and that there was little acknowledgement of the connection to Fiscalis, which ought to be looked into (recommendation 1).

Other contextual factors mentioned by stakeholders, which either weighed less on the programme's overall achievements or were only mentioned anecdotally, included the **selection criteria** of national officials attending joint actions, **national legislation** prohibiting disclosure of certain information or use of certain voluntary systems (e.g. the underused TIN-on-the-web application) some **local phenomena** (e.g. growth in the number of cross-border workers between increasing pressure on more exchange of information on direct taxes or increased cross-border of trade in certain commodities which intensified the use and utility of the EMCS).

Las but not least, the evaluation mentioned as well the importance influence, or co-existence, of **other initiatives**, notably the operations of the IOTA, which was described at length in heading 6.

8. CONCLUSIONS AND RECOMMENDATIONS

Although many factors are at play in the functioning of the internal market, the evaluation concluded it likely that Fiscalis 2013 made a contribution to better functioning of the internal market. It is considered plausible that fraud and tax evasion was reduced and/or prevented, in turn avoiding distortions of competition in the internal market. The identified shortcomings staying under the control of the programme led to the relevant recommendations.

The key findings could be summarised as follows:

- a) the IT systems (i.e. **EMCS**, **VIES** and the **e-Forms** for cooperation in direct taxation) directly supported the implementation of the EU acquis for administrative cooperation in taxation;
- b) **VIES** system supported national administrations in identifying fraud and became an essential part of the tax administrations' VAT toolbox used daily by tax officials;
- c) **VIES-on-the-web** directly reduced lead-time for validation of the VAT numbers of the economic operators, leading to an estimated saving of EUR 160 million for tax administrations and similar for the economic operators;

- d) **EMCS** made the fraudulent behaviour more difficult, risky and costly, thanks to the real time monitoring and instant verification of the authorised operators. The **electronic guarantees** bonded with each transaction under the EMCS made it easier for the tax official to help ensure that the tax was duly collected;
- e) **standard e-Forms** in the area of VAT and direct taxation helped the tax officials in calculating the correct tax liability;
- f) the **e-Forms** and **CCN/CSI** platform streamlined, simplified and improved quality of the electronically exchanged information;
- g) the **joint actions** allowed the national administrations to share their expertise and experience; exchange views on interpretation, implementation and enforcement of the EU provisions; better understand legislative and organisation set-ups of the different tax administrations; and build highly valued human networks;
- h) **EUROFISC platform** provided tax officials with an important channel to promote and facilitate multilateral and decentralised cooperation, permitting targeted and swift actions to combat specific types of fraud;
- i) **Multilateral Controls** allowed Member States to identify additional tax due of an approximate value of EUR 3.26 billion and led, together with the provisions of **automatic exchange of information** under the Savings Directive, to the creation of a ‘compliance effect’ amongst taxpayers;
- j) there is scarce quantitative information available with regard to the costs and benefits of the IT systems deployed at the national level, with cost estimates varying widely from 1.1 million and 18.8 million and the benefits (in terms of the value of the information exchanged) difficult to monetise, but the overall efficiency of the IT systems was judged positive by the stakeholders;
- k) the Member States would have not been able to individually develop and maintain more effective, efficient and inter-operable IT systems;
- l) Fiscalis 2013 programme complemented and allowed for synergies between other initiatives in tax cooperation at national, regional and international level, with only a small level of overlap with regard to joint actions; it was the only instrument tailored to the very needs of the internal market and the only to provide the IT application;
- m) Fiscalis 2013 programme allowed to reduce the administrative costs and burdens in three main ways: (i) through **standardising** exchange of information (e.g. through e-Forms), (ii) by providing platforms for **secured exchange** (i.e. the CCN/CSI), and (iii) by providing **common IT systems** to be used directly by the tax administrations (e.g. the EMCS or the VIES);
- n) unsupported by the programme, the effects of joint actions and IT systems would not remain in the long term;

On the basis of gathered evidence, the evaluators put forward several **recommendations** with the view to improving the programme’s operations and its potential. The recommendations are summarised below and were broadly accepted by the steering group. The Commission will undertake a dedicated exercise to address the recommendations and draw up an action

plan for their implementation and follow-up, taking into consideration their character, influence on the programme and possible timeline for their implementation (e.g. during the life of the programme or in the forthcoming legislative cycle).

Nr.	Recommendation	Main responsible
1	Work should be undertaken to raise awareness of (future) Fiscalis programmes, the objectives and the outputs. In particular the link between European IT systems and the funding provided by Fiscalis could be promoted.	European Commission and participating countries
2	The programme should provide a description of the National Coordinator's role and responsibilities, and participating countries should ensure that National Coordinators have sufficient support and resources to fulfil their role.	European Commission and participating countries
3	The programme should continue to disseminate information on how the Personal Information and Collaboration Space (PICS) is intended to be used and what functionalities it has.	European Commission
4	The Commission should continue to play an active role in facilitating collaboration on national IT applications between Member States.	European Commission and Member States
5	The Commission should continue to develop central applications which can be used by all Member States.	European Commission and Member States
6	The Commission and Member States should explore further integration between taxation and customs procedures.	European Commission and Member States
7	Prospectively, Fiscalis should focus more on reducing burden on the taxpayers and increase programme activities targeting this objective with a view to support the improved functioning of the internal market.	European Commission and Member States

The Commission appreciated the overall quality of the external study supporting this evaluation and acknowledged the methodological difficulties and efforts undertaken to mitigate them. The evaluation findings as presented in this report were deemed credible and the conclusions accurately drawn. The Fiscalis 2013 programme's contribution to the better functioning of the internal market, through increased capacity of tax administrations to effectively and efficiently detect and prevent fraud, as well as implement the EU tax legislation, can therefore be judged as significant.

The final evaluation of the Fiscalis 2013 programme will support future discussions on the scope and design of the post-2020 iteration of the programme. More operational findings, such as improvements to the IT systems and applications or broader dissemination of the programme's results, will be directly addressed in the course of the current programme Fiscalis 2020.