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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing an action programme for customs and taxation in the European Union for the period 2014-2020 (FISCUS) and repealing Decisions N°1482/2007/EC and N°624/2007/EC

{COM(2011) 706 final}
{SEC(2011) 1317 final}

PART I: CUSTOMS SECTOR

1. PROBLEM DEFINITION

The world economy is characterised by change, which leads to the emergence of new problems for customs authorities. The customs union and its supporting instruments need to adapt to these changes.

***Problem 1*: Pressure on customs authorities to process growing volumes of trade, and difficulty to apply measures to balance facilitation and control**

International trade returned to pre-recession levels by mid-year 2010 and is expected to continue growing. This is reflected in a **clear growth in the numbers of consignments and customs declarations**.

Due to globalisation the EU is relying on the rest of the world for more and more of its production inputs. New business models, such as e-Commerce and e-business, change the nature of trade and increase the complexity of business. These changes require appropriate **customs control measures**.

***Problem 2:* Gap in skills, competencies, resources as well as experience and best working practices**

Customs authorities are in the frontline for the **protection of life, health and the environment**. The number and the importance of such measures increased requiring the customs authorities to perform additional specialised tasks.

Public demand for security also multiplied. Specific policies for internal security result in a **considerable safety and security agenda for customs** to implement. Customs face the complexity of working together with many other authorities and bodies and the pressure to acquire and use specialised technical equipment.

Currently, in both mentioned areas, customs authorities often lack the skills, resources and experience to achieve this efficiently.

***Problem 3:* Incoherent and inefficient application of EU policies in the context of safety and security**

In light of the ongoing modernisation, the customs authorities are responsible for the implementation of EU legislation in the field of **safety and security which is not always directly compatible** with existing processes and procedures. This makes the implementation difficult and results in incoherent and inefficient practices.

***Problem 4:* Shortcomings in the uniform implementation of EU law by the 27 EU customs authorities**

The **uniform implementation of customs legislation and working methods** has been difficult. The existence of 27 separate processes and procedures is often inefficient and distorts competition. This **undermines the financial interests** of the Union and hinders the **protection of the society**. A legislative response to these issues was the adoption of a

Modernised Community Customs Code[1] and a Decision on implementation of Electronic Customs[2] in 2008.

Problem 5: **Difficulties in uniform implementation of interconnected IT systems**

Despite the fact that the Member State administrations have access to a European wide secure network (CCN/CSI[3]) supporting the key 'e-customs' systems, the Customs Union faces problems of **interoperability and excessive complexity**. The businesses have to connect to multiple systems in the Member States where the customs activities take place. This increases the administrative burden and compliance costs. **Exchange of information with third countries** also requires development of secure, consistent, and EU-wide IT solutions.

Problem 6: **Heavier and increasingly unsustainable burden for some EU customs authorities to implement policies in the interest of the union**

Member States face different levels of burden in terms of control activities for safety and security. The imbalance is particularly heavy in terms of investment in **infrastructure capacity building** and technology.

2. OBJECTIVES

General Objective: to support EU customs by increasing cooperation between participating countries, their customs administrations, their officials and other relevant stakeholders.

Specific Objectives will be:

1. to support EU Customs in its role in facilitating legitimate trade by automating and speeding up customs processes (related to problem 1, 3, 4, 5)

2. to support EU customs in strengthening the competitiveness of European business and the protection of citizens' safety and security, as well as the environment (related to problem 2, 3, 4, 5, 6)

3. to support EU customs in protecting the financial and economic interest of the EU and the Member States (Related to problem 4, 5, 6)

4. to support the preparation, implementation and application of EU law and initiatives with view of strengthening the EU customs in terms of efficiency, effectiveness and uniformity. (related to problem 1, 2, 3, 4, 5, 6)

Operational objectives will be:

1. to identify, develop and apply best working practices in all areas of customs processes

2. to support a pan-European electronic customs environment

[1] Regulation No 450/2008/EC of 23 April 2008 — OJ L145, 4 June 2008

[2] Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade

[3] CCN/CSI = Common Communication Network, Common System Interface

3. to share information and expertise to support the organisation of customs controls

4. to boost customs cooperation within the EU and in relation to third countries as well as cooperation between customs and other government authorities and third parties

5. to set up joint activities/teams to perform specific operational tasks together

6. to support the modernisation process of the EU Customs Union in a harmonised way

7. to sustain and monitor correct understanding and harmonised application of EU law and policies

8. to reinforce skills and competencies

9. to ensure appropriate allocation of infrastructure in view of surveillance and control responsibilities

2.1. Necessity of EU intervention

With the customs union being an exclusive competence of the EU, the Member States *ipso facto* agreed that actions in the customs area will be better implemented at the EU level. The EU legal framework alone does not ensure sufficiently the proper functioning of the Customs Union. **Supporting measures as provided by the Customs Programme** secure that the **EU customs legislation** is applied in a **convergent and harmonised** way. Also, many activities in the customs area are of a **cross-border nature**, and therefore they cannot be effectively and efficiently delivered by individual Member States.

Solidarity and responsibility sharing are the core principles underlying funding for the Customs Union. The EU intervention is required to preserve the EU public good where EU 'demand' (e.g. for security) cannot be adequately serviced by the 'supply' of particular Member State. The EU action translates in the joint funding of **technical capacity building**.

2.2. EU Added Value

Builpding further upon the strengths of the Customs 2013 Programme, the main EU added value of the Customs 2020 Programme initiative lies in the provision of concrete results with an Europe-wide impact that could have not be produced as effectively and efficiently by individual Member States. The programme will:

(a) **boost the effectiveness** of the Member States’ customs administrations’ operational work and provide economies of scale,

(b) enable the **effective and uniform functioning of the EU Customs Union** in the form of networks, synergies in best practices, pooling of resources and platforms to develop collaboration and trust among administrations.

The *EU is therefore better placed to act* for boosting the customs union policy.

3. POLICY OPTIONS

Five options have been analysed in the impact assessment.

3.1. Option 1: Baseline Scenario - " Status Quo"

The baseline scenario is the continuation of the Customs 2013 Programme with no changes in financing, objectives or available instruments. In this scenario, the programme will support the same activities and tools as in the past.

3.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

This option is based on the baseline scenario and addresses the new needs deriving from the evolving EU customs environment. The option implies a stronger focus on the achieving operational objectives 2, 4, 5, 6 and 8.

The option assumes the continuation of existing European Information Systems and deploying new ones as defined in the EU customs legislation through gradual introduction of a **more shared IT development** model and modernisation of the governance, architecture and technology.

The option adds **innovative joint action** tools to better meet the objectives. More **streamlined cooperation** is envisaged within the EU and with international actors through reinforcement of common training and setting up of EU expert teams. It supports **joint activities** between customs and other authorities to reinforce **common risk management** in non-fiscal areas.

Policy option 2 will have **greater impacts** in terms of supporting all specified objectives compared to option 1, since it includes provision for **increased cooperation (IT and human)**.

3.3. Option 3: Option 2 with financial support for technical capacity building

This option adds to option 2 a **financial support scheme** allowing Member States to request support for the acquisition of any type of equipment to support control activities to meet the demands for speeding up and streamlining controls in a context of evolving technologies. The option implies a significant budget increase in comparison to option 2.

3.4. Option 4: Option 2 with a maximised shared IT environment

This option proposes **higher scale shared development and operation** of trans-European IT systems. It will support the public authorities to develop and deploy the systems for a pan-European electronic customs environment and businesses to connect to those systems.

Compared to option 2, option 4 allows customs to extend the capability of sharing common developments in all areas of its business. This option would address the problems of implementing interconnected IT systems to speed up customs procedures more adequately.

3.5. Option 5: Discontinuation of the programme

This option envisages the discontinuation of the Customs Programme, meaning not to provide funding for operating existing or new trans-European IT systems neither for joint actions and common training activities.

4. ASSESSMENT OF IMPACTS

The benchmark for the impact assessment is the baseline scenario. The primary effect of any of the options relates to the functioning of public authorities but secondary effects on business and consumers are also identified.

4.1. Option 1: Baseline Scenario - " Status Quo"

In this scenario, the agility of the Customs Union facing the new problems and new implementation requirements for upcoming EU legislation is limited and leads to severe shortcomings.

Without a refocus of the objectives, an additional set of new tools and increased funding, the Customs Programme will no longer provide an adequate response to the problems lying ahead.

The new evolving policy context and the current weaknesses in interpretation of EU law and in its implementation as well as the issue of non-harmonised procedures are likely to remain inadequately tackled in the baseline scenario.

The baseline scenario **does NOT** enable an efficient IT approach, nor enhanced customs cooperation and pooling of resources, expertise and skills to support Member States in their operational tasks.

The problems customs faces, are likely to become **aggravated** in a status quo continuation of the programme. This would impact the EU budget (economic impact) and seriously affect the security and safety of the EU, its citizens and the environment.

4.2. Option 2: Increased support to EU legal obligations such as the Modernised Customs Code (MCC)

This option will support the Member States' customs authorities to **protect the financial and economic interests of the EU and Member States** through enhanced customs cooperation. The effective collection of the customs duties will directly influence the EU Budget and the national budgets. Indirectly, this will influence the income distribution as well as the production of public goods.

The economies of scale derived from the upgraded **shared development** approach for the **TEIT systems will reduce the costs** for Member States' governments. The impacts of a shared IT development approach are also to be sought in the **harmonisation of the interface to traders**. Legitimate trade will be facilitated through the speeding up of automated customs procedures and control measures. The resulting reduction in administrative burden will have a spill-over effect on costs for economic operators and consumers. **Strengthened cooperation** will contribute to a better protection of the financial interests[4].

Reinforced cooperation among customs and with other authorities will support the effective, **efficient and uniform implementation of legislation**, for instance on the safety of the products imported into the EU or on IPR. More streamlined cooperation will avoid gaps in the protection of the supply chain. Developing **joint priority control areas** will support the

4 Thematic Report of the Directorate-general for Budget on customs control strategy in Member States in view of the Control of traditional own resources.

proper management of the EU border, assisting the **protection of citizens and the environment from risks posed by international trade**.

Customs authorities would be **more effective** in implementing Customs action and EU cooperation in the areas of **environmental** crime, illegal movements of waste, chemicals or animal and plant health legislation.

4.3. Option 3: Option 2 with financial support for technical capacity building

The enhanced technical capacities of Member States will lead to improved non-fiscal controls and thus **a better protection of EU citizens in terms of product safety and health.** This option will **further enhance the protection of the financial and economic interests** of the EU and Member States, **reducing the competition distortion for businesses** allowing faster and more streamlined control of merchandise across the EU.

Distributional impact for the support to control equipment is relevant because Member States located at the external EU-border face higher investments than the others.

4.4. Option 4: Option 2 with a maximised shared IT environment

This option will lead to the largest **economies of scale** as IT resources will be used in a fully integrated way. For Member States making use of the common systems, the effort reduction will be between 60% and 80% for the system updates and 30% for the supporting system. The Member States who choose not to use the common systems will have no effort reduction on systems updates but do have 30% effort reduction on the supporting system[5].

The introduction of innovative technologies will **reduce the costs of businesses**. More Member States working with the same IT applications will lead to **more harmonised customs processes** and bring direct benefits to economic operators.

Under this option, the new IT environment will result in **a full service to customs authorities and business**.

4.5. Option 5: Discontinuation of the programme

This option will **negatively impact** the customs administrations in their responsibility to **implement EU legislation in the domain of customs**.

It will **reduce the ability to prevent and detect fraud**, which will deteriorate further over time. EU and Member States will suffer a loss in the collection of EU duties and charges.

It is likely that there will be greater divergence in interpretation of customs law without sharing best practices, common training or guidelines and exchange of digitised information. This will lead to **divergent treatment of traders** and **insufficient fight against illegitimate trade** causing negative impacts on competitiveness, growth and jobs.

The consumers and citizens within the EU will be **less protected against safety and security risks**. The standard of controls will become variable; the opportunities for “shopping” for the best to or exit point from the EU will increase. The ability to fight criminal activities will be impaired.

[5] MCC and eCustoms Master IT Plan Iteration 1 Global Estimation Study Document, p 53

5. COMPARE THE OPTIONS

Option 2 is the preferred option and fits in the envelope foreseen in the next Multi-Annual Financial Framework[6].

Criteria	Effectiveness in achieving objectives and impacts									Efficiency	
	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Objective 8	Objective 9	Output orientation	Efficiency gains/solidarity
Option 1 **Baseline scenario**	0	0	0	0	0	0	0	0	0	0	0
Option 2 **Increased support to EU legal obligations such as the MCC**	+	++ (innovative= new IT systems + shared development)	+	++	+++ (innovative = EU expert teams	+	+	+++ (innovative = reinforced training)	0	+++	++
Option 3 **Option 2 plus Technical capacity building**	+	++ (as in option 2)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	+++ (new)	+++	+++
Option 4 **Option 2 plus a maximised shared IT environment**	+	+++ (as in option 2 + full scale sharing)	+	++	+++ (as in option 2)	+	+	+++ (as in option 2)	0	+++	+++
Option 5 **No programme**	---	---	---	---	---	---	---	---	0	NA	LOW

6 COM(2011)500 of 29 June 2011, A budget for Europe 2020

PART II: FISCALIS SECTOR

1. PROBLEM DEFINITION

National tax authorities are becoming more and more the "victim" of the success of the European integration process: successive enlargements, Single Market establishment and the creation of a single European currency in the Eurozone have significantly reduced previous risks to and costs of economic cross-border transactions. Thus, **divergences in tax regimes have become more important in relative terms**.

Along with **exponential growth in cross-border transactions**, the successive enlargements of the EU and the **increasingly complex national tax rules in the 27 jurisdictions** make it more challenging to deal efficiently and effectively with cross-border transactions that give rise to the application of tax legislation. (**Problem 1**: Divergent application and implementation of EU tax law**)**

Combating cross-border fraud still remains a major area of concern despite recent successes. It is generally accepted that fraud levels would rapidly increase if no coordinated action would be undertaken by the tax authorities. (**Problem 2**: Inadequate response to tax fraud, avoidance and evasion)

Information on taxable goods within the EU territory cannot come from controls at internal borders anymore. Thus national tax authorities rely on an EU-wide secured information network for exchanging information, which is expected to grow further due to increased trade flows and legislative changes, not only within the internal market, but also with third countries. (**Problem 3**: Pressure on national tax administrations to exchange increasing quantities of data and information in a secure and rapid way.)

An effective tax system should ensure sustainable revenues while not adversely affecting growth and jobs. At present, too many tax obstacles make cross-border activities more complicated, while citizens face difficulties in obtaining information or claiming tax reliefs from foreign tax administrations[7]. (**Problem 4**: High administrative burden for taxpayers and tax administrations)

Technical progress has dramatically changed the technologies underlying cross-border transactions. However, technical progress in public administrations is typically much slower than in the private sector. This changing tax environment increases the need for **effective and efficient e-government services**. (**Problem 5**: Slower technical progress in the public sector)

2. OBJECTIVES

In view of the problems identified for the upcoming decade, the existing objectives of the Fiscalis 2013 programme remain valid, but have to be refocused on fighting fraud and adapting to the changing tax environment. Moreover, two new objectives need to be added to the new programme: reducing administrative burden on tax administrations and taxpayers (both individuals and business) and enhancing cooperation with third countries and third parties.

7 Communication on removing cross-border tax obstacles for citizens; COM(2010) 769

The general objective of the programme will be to improve the proper functioning of the taxation systems in the Internal Market by increasing cooperation and support to EU tax policy between Participating Countries, their tax administrations, and relevant stakeholders.

The specific objectives (SO) will be:

(1) Facilitate a coherent application and implementation of EU tax law

(2) Provide a framework for cooperation enhancing coordination and coherence of EU tax policy application and implementation

(3) Enhance effective and efficient information exchange and administrative cooperation

(4) Contribute to the reduction of administrative burden on tax administrations and taxpayers

(5) Enhance cooperation with third countries and third parties

(6) To strengthen the administrative capacity of tax administrations and increase their efficiency

Necessity of EU intervention

Tax policies remain predominantly a nationally reserved policy area. The proposed programme however cannot be considered to be a tax policy measure falling under national competences. The programme aims to improve cooperation between tax administrations and provide tools for improving cooperation and achieving the objectives. The proposed measure is therefore a clear Internal Market support measure, under Article 114 of the TFEU, allowing improvement in functioning of the various tax systems within the Internal Market.

Action at EU level rather than at national level is necessary for the following reasons:

– It is not sufficient to adopt legislation at European level, taking it for granted that its implementation will run smoothly and if not, the infringement procedure will be sufficient. In order to efficiently implement EU and national tax law, cooperation and coordination at the European level are necessary. Through the different Fiscalis programmes, the Commission and Member States have built a strong relationship of trust to provide this guidance and steering.

– The challenges identified cannot be tackled without a steering role executed by the Commission and without encouraging Member states to look beyond the borders of their administrative territory.

2.1. EU Value Added

From an economic point of view, action at EU level is much more efficient. Interconnecting national customs and tax administrations in approximately 5 000 connection points ensures that national administrations only need to connect once, and not 26 times, to exchange information with each other.

Other cornerstones are activities that bring taxation officials together to exchange best practices and learn from each other. It is more efficient to have, under the programme umbrella, the Commission is acting as **activity broker** between the participating countries to allow synergies between activities, ensuring that Member States do not need to develop their own set of tools and ways of work and not losing the systematic implementation at EU level..

Stakeholders of the programme have confirmed that most activities that were necessary to achieve progress in taxation cooperation would not have happened at all, or would have only happened much later and/or at a higher cost and with less optimal results if the cooperation framework of the programme had not existed.[8]

3. DESCRIPTION OF POLICY OPTIONS

Considering the overall policy context and the problems ahead of taxation policy in the next decade, a number of alternative policy options have been considered.

3.1. Option 1 – Baseline Scenario: "Status Quo"

The baseline scenario of this impact assessment will be the continuation of the Fiscalis 2013 programme without any changes in terms of financing, objectives or instruments. In this option, the Fiscalis programme would not be adapted to the changing economic and technological environment and would not provide for an additional focus on the fight against fraud, reduction of administrative burden for business and tax administrations and enhanced cooperation with third countries and parties.

With constant budget, this option will only ensure the business continuity of the IT systems that will be available by 2013. This option will have to choose priorities among the issues that need to be tackled. The baseline scenario will not introduce the suggestions for improvement raised in the midterm evaluation[9].

3.2. Option 2 – Upgrade the baseline scenario

This option will be the continuation of the baseline scenario but will tailor the specific objectives to allow the programme to address all the challenges identified in the problem description.

This policy option will have only a marginally higher budget. This implies that this option will have to choose priorities among the issues that will be tackled and will only support the taxation administrations within the current policy context. Any new policy initiatives will fall outside the scope of this option. Exception could be made for those initiatives that have a marginal budgetary impact, meaning the programme could limit its support to a very low number of joint actions. This option will introduce the suggestions for improvement raised[10] by the stakeholders because of their low budgetary impact.

3.3. Option 3 – Upgrade and cater for new policies

Policy option 3 will provide taxation with a solid framework to address the challenges of the next decade. Besides addressing option 2, this policy option will extend cooperation to new areas stemming from policy evolvement. This policy option will have a substantially higher budget compared to the present programme. This option will ensure both business continuity

[8] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraphs 396-424
[9] RAMBOLL, Fiscalis 2013 midterm Evaluation, paragraphs 268-328
[10] Ibid, paragraphs 268-328

of the IT systems and the entry in operation of any IT system required by new legal initiatives.

3.4. Option 4 – No continuation of the programme

This policy option envisages the discontinuation of the Fiscalis programme. No successor would be launched in 2014 and there will be no funding to support the existing trans-European IT systems, set up joint actions or training activities to support the functioning of taxation systems in the EU.

4. ASSESSMENT OF IMPACTS

The assessment criteria used were: effectiveness, efficiency and coherence with other EU initiatives, complemented by the acceptability of each option for Member States, as policy options have direct impact on taxation authorities in participating countries. Indirect impacts are also identified.

Given the nature of the options, no direct **environmental impacts** are expected. Indirect environmental impacts concern the reduction of paper based information and energy consumption. The impact on **SMEs** relates to the creation of a situation allowing reduction of administrative burden on business and is as such also of an indirect nature and influenced by other triggers.

The **social impact** is also indirect as the programme creates the framework to support tax administrations to improve tax collection, leading indirectly to a better income distribution. However, also in this respect, the programme is only one of the triggers to generate this impact.

4.1. Option 1: Baseline Scenario

This policy option **will not be able to address all challenges facing the tax administrations**, and will not provide the means to upgrade the cooperation and exchange best practices amongst tax administrations compared with today.

The baseline scenario will not alter any of the shortcomings regarding Member States' differences in using taxation IT systems, higher tax collection costs, or higher administrative burden on taxpayers[11].

Due to the lack of budget increase, the baseline scenario only supports the taxation administrations within the current policy context. Under this option, choice between priorities to be tackled must be done and any new policy initiatives fall outside the scope of the option.

The option will only ensure the business continuity the IT systems that will be available by 2013, and will not reduce the differences in using taxation IT systems namely the different interfaces with the final users of the systems and the different implementations of the systems.

This option will not introduce suggestions from the Midterm Evaluation[12], such as reinforcing **cooperation** in a **more systematic way**, and will not optimise the use of experts at operational level in Member States.[13].

[11] RAMBOLL, Fiscalis 2013 midterm evaluation, paragraph 359.

4.2. Option 2: Upgrade the baseline scenario

Combining efficiency improvements with widened objectives, this option will give new impetus to tax cooperation in the next decade and support an integrated coordination and coherence of tax policy implementation. The changes in the instruments and the enlarged set of objectives will allow the tax administration to face adequately the challenges identified in the problem definition.

This policy option will tailor the objectives to the needs by focusing on the **changing tax environment, reduction of administrative burden** on tax administrations and taxpayers[14] and enhanced **cooperation with third countries and third parties.** By building further on experience of VIES on the web, the option will provide means to contribute to the reduction of administrative burden on taxpayers and of the costs of tax collection for tax administrations.

The fight against fraud will be strengthened by providing a framework for enhancing coordination and coherence of EU tax policy application and implementation. This will build for instance on the experiences gained with Eurofisc, which could lead to new working fields for controls.

Like the baseline option, option 2 will only have the budgetary means to support the taxation administrations within the current policy context. Any new policy initiatives will fall outside the scope of this option.

The continuity of the existing IT systems will be secured and allow some – albeit not major - technology alignments. It provides room to develop common specifications and offer shared services to shortened deployment time. The entry in operation of any new IT system required by policy evolution and involving significant expenditure will be either lengthened by several years or not supported.

4.3. Option 3 – Upgrade and cater for new policy needs

This policy option will give the tax administrations in the EU full scope to cooperate to improve the functioning of the taxation systems in the internal market and support EU tax policy developments. This option introduces the necessary efficiency improvements and addresses all the objectives without the need to prioritise and provide scope to include new areas for cooperation, at a wider scale in a shorter time period. New IT systems required by policy evolution may be developed if required within the required time period. Based on the experience with the previous programmes, such implementation would require a substantial **budgetary increase** compared to the baseline scenario. Taking into account the present economical difficulties, constraints on budgets and unambiguous signals from some Member States; the acceptability of the option is rated low. This option equally falls outside the provisions made in the Budget for Europe 2020[15]**.**

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12 During the midterm evaluation, the roundtable Fiscalis 2013 Committee meeting and the June workshop

13 DELOITTE, Alternatives for taxation cooperation, p. 39.

14 Ibid, p. 17-18

15 COM(2011) 500 of 29 June 2011.

4.4. Option 4 – No continuation of the programme

In this scenario the programme will be discontinued and no EU funding will be provided for IT tools, joint actions or training activities. Taxation cooperation will be seriously hampered and will therefore have a serious negative impact on the efficiency and effectiveness of taxation cooperation. Member States may have to look for alternative ways to substitute the cooperation driven by the programme.[16] Digitised information exchange between tax authorities will become more cumbersome and costly. Without joint actions, exchange of good practices is expected to become more fragmented and more costly, and lack of coordinated training programmes will lead to duplication of efforts. It is expected that the current differences in efficiency and effectiveness of tax activities between Member States will increase.

4.5. Economic Impacts of the programme

The programme has a positive economic impact as it supports activities that pursue the reduction of administrative burdens. Already in the baseline option, automation has a positive impact. This impact will be strengthened in option 2 and 3 where the contribution to the reduction of administrative burden is an explicitly mentioned.

The programme provides a framework for tax administrations to perform better tax collection and reduces tax fraud and evasion, leading to better services and lower compliance costs, but also enhance efficiency of tax administrations and increase revenues[17]. This impact is expected to be reinforced with focus on fight against fraud under option 2 and 3. By reducing the divergence in interpretations of tax law, the programme decreases unfair competition and possibly unjustified double taxation faced by taxpayers.

4.6. Preferred option

The impacts of the different options, selected in terms of effectiveness, efficiency and acceptability are summarized in Table 1. The impact assessment leads to the following recommendation:

The preferred option is policy option 2: Upgrade the baseline scenario

Option 2 is preferred despite a lower score on effectiveness, but has much higher acceptability by Member States. The option fits in the envelope foreseen in the next Multi-Annual Financial Framework[18].

[16] DELOITTE, Analysis of different scenarios for tax cooperation, p. 47-52

[17] DELOITTE, Alternatives for taxation cooperation, p 21-22.

[18] COM(2011) 500 of 29 June 2011, "A budget for Europe 2020".

Table 1: Summary comparison of options

Criteria	Effectiveness and relevance							Efficiency		Coherence		Other	Overall Assessment
	SO 1	SO 2	SO 3	SO 4	SO 5	SO 6	Future Policies	Output orientation	Efficiency gains	Coherence with other EU initiatives	Within Budget for Europe 2020	Acceptability by Member States	**Rating of options**
Option 1: Baseline Scenario	0	0	0	0	0	0	0	0	0	0	Yes	MEDIUM	**0**
Option 2: Upgrade the baseline option	++	0	++	0	+	++	0	++	+	++	Yes	HIGH	**+++ = PREFERRED OPTION**
Option 3: Upgrade and cater for new policy	+++	++	+++	++	++	+++	+	++	+++	++	No	LOW	**++**
Option 4: No programme	--	--	--	--	--	--	0	NA	LOW	LOW	NA	LOW	**--**

Annotation: Magnitude of impact indicated compared to the baseline scenario:
+++ strongly positive, ++ quite positive, + positive, 0 like baseline scenario, - negative, -- quite negative, --- strongly negative, NA not applicable

Source: DG TAXUD