



# **FINAL EVALUATION OF THE FISCALIS 2013 PROGRAMME**

## **FINAL REPORT**

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**PREPARED BY:**

Ramboll Management Consulting AS  
Karin Attström  
Edmund Beavor  
Ida Nielsen  
Tsvetelina Blagoeva

**FOR THE  
EUROPEAN COMMISSION**

European Commission, B-1049 Brussels  
Directorate-General for Taxation and the Customs Union  
Directorate D — Direct Taxation, Tax Coordination, Economic Analysis and Evaluation  
Unit D.4 — Economic Analysis, Evaluation & Impact Assessment Support  
E-mail: [TAXUD-EVAL-IA@ec.europa.eu](mailto:TAXUD-EVAL-IA@ec.europa.eu)  
Internet: [http://ec.europa.eu/taxation\\_customs/index\\_en.htm](http://ec.europa.eu/taxation_customs/index_en.htm)

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Luxembourg: Publications Office of the European Union, 2014

ISBN 978-92-79-38427-1  
doi: 10.2778/36294

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## Executive Summary

Fiscalis 2013 was a European multiannual programme designed to create and share taxation information and expertise. It was the fourth in a series of programmes in place since 1993 designed to ensure the proper functioning of the internal market and assist in the fight against fraud. The programme activities were primarily relevant to the areas of Value Added Tax, Excise duties and Direct Taxation.

The programme responds to the need for the secure and reliable exchange of tax-related exchange of information between participating countries tax administrations and the need for officials to be able to react swiftly to new patterns of fraud. All EU Member States participated in the programme and it was also open to candidate and potential candidate countries.

Operational objectives for the period were set out in Decision 1482/2007/EC establishing Fiscalis (called henceforth: the programme Decision) and are summarised below:

- to secure efficient, effective and extensive information exchange and administrative cooperation;
- to enable officials to achieve a high standard of understanding of EU law and its implementation in Member States;
- to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxable persons through the development and dissemination of good administrative practices; and
- to meet the special needs of candidate countries and potential candidates so that they take the necessary measures for accession in the field of tax legislation and administrative capacity.

156.9m EUR was allocated to the programme over the six year period (2008-2013) to support activities designed to meet these objectives. The development and operation of the Communication and Information-Exchange Systems (IT systems) to enable the electronic exchange of information between tax administrations accounted for nearly 75% of the budget.

Different types of activities collectively known as joint actions were supported by the programme to permit officials from the tax administrations of the participating countries to collaborate, create expertise and share information and best practices. These included multilateral controls (MLCs), seminars, workshops, project groups, working visits and training activities.

Finally, a number of common training tools (including e-Learning modules) were developed to offer training to tax officials and economic operators in a range of subjects. Approximately 22% of the budget was accounted for by the joint actions and 3% by the common training tools.

### Evaluation objectives

The purpose of the evaluation was to assess the effectiveness and efficiency of the programme in achieving its objectives, as well as provide an assessment of the EU added value and utility of the programme. The evaluation had a particular focus on the IT systems supported by Fiscalis as they represent a considerable share of the programme budget, almost 75%.

To this end, the evaluation answers the following specific evaluation questions as set out in the terms of reference:

1. What is the European added value of the Fiscalis 2013 programme?
2. To what extent and how has the creation of a pan-European electronic tax environment through the development of interoperable communication and information exchange systems, helped the tax authorities to:

- a) better protect the Union's and Member States' financial interests...
  - b) ... while decreasing the administrative burden on taxable persons...
  - c) ... and avoiding distortions of competition;
  - d) implement the EU tax law in an effective, efficient and uniform fashion?
3. Were there any unexpected and/or unintended results and impacts generated by the programme's activities; what were their triggering factors and what is the extent to which they hampered and/or helped the programme's functioning and the achievement of its objectives?
  4. To what extent and how have the strategies/approaches endorsed by the programme's stakeholders with regard to the dissemination of awareness, knowledge and action (implementation) weighed on the achievement of the programme's objectives?
  5. To what extent have the programme's resources produced best possible results at the lowest possible costs (best value for money)? Could the use of resources be improved?

## Methodology

In order to answer these questions, an appropriate evaluation framework was designed. There were a number of challenges which had to be considered:

- Many programme activities were continued from previous programme periods and as such the results and impacts could not be linked uniquely to the current iteration of the programme.
- No baseline or comparison (counterfactual) exists against which the programme can be judged and it was not possible to assess a scenario without Fiscalis, except in a hypothetical way.
- There was very little quantitative data available to the evaluators, for example on amounts of fraud detected or tax recovered. Hence there was little tangible evidence to assess the results and impacts of the programme.

To meet these challenges, an analytical approach called contribution analysis was used. The basic premise of contribution analysis is that the effects of the programme (causality) can be derived from demonstrating how the programme is based on a plausible theory of change, which sets out how the programme is expected to achieve its objectives. In Fiscalis the contribution analysis has been applied to test the probable contribution of the programme towards its specific and overall objectives. By collecting evidence on to what extent and how the Fiscalis activities were assessed to contribute to for example simplification of administrative burdens, reduced fraud and tax evasion as well as increased understanding of EU law, the evaluation has been able to provide solid conclusions on the plausible contribution of Fiscalis 2013 to an improved functioning of the internal market. The qualitative evidence collected using this method provides rich detail on the underlying mechanisms, and allows to take into account contextual factors which have influenced the programme results.

The data sources included a survey to tax officials, survey to National Programme Coordinators, interviews with DG TAXUD staff including officials from programme management, IT staff and representatives from the relevant policy units. In addition, 11 interviews were conducted with National Fiscalis Coordinators covering EU added value, effectiveness, efficiency and unintended effects of the programme.

Case studies were conducted on-site with five tax administrations in order to assess the programme's achievements in the context of the national administration. Finally, secondary data was used where available, including participation data on joint actions as well as output data for the IT systems supported by Fiscalis. Where available, previous surveys or cost-benefit questionnaires sent by the Commission to participating countries were used.

The dissemination of the survey proved to be challenging and the response rate varied greatly between participating countries. The skewed response rates has been taken into account when analysing the results to ensure overall validity of the responses.

Given the lack of quantitative data on the amount of tax recovered or fraud detected, it is important to note that the evaluation aimed to establish to what extent it *was likely that Fiscalis 2013 had contributed* to higher policy level objectives, through the contribution analysis. Therefore, the derived conclusions, while backed by thorough empirical evidence and rigorous analysis, are not backed by quantitative evidence.

### **Main achievements of Fiscalis 2013**

For the purpose of implementing the contribution analysis, hypotheses about the underlying causal links between programme activities and outputs were developed for each tax area. These links were examined in light of the evidence collected during the evaluation, and used to identify probable contribution by building a plausible, well-founded story on the programme's role in achieving the intended and observed results.

It was assessed that Fiscalis enabled administrations to improve their ability to monitor and control the flow of intra-EU trade and related tax, mainly thanks to the use of the VAT Information Exchange System (VIES) and the Excise Movement Control System (EMCS). The evaluators deem it plausible that this contributed considerably to the fight against fraud. The integration of these systems with national IT applications was identified as an important influencing factor to ensure that the information could be used to its full effect e.g. for further risk analysis.

Joint actions were assessed to have played an important role in permitting the participating countries to share ideas and interpretations of EU law. In addition, the common development of the IT systems required Member States to agree on certain issues and develop common specifications. It was assessed that the programme did contribute to a more uniform, effective and efficient application of the EU law, thanks to the flexible setting it provides, allowing participating countries to come together and exchange views and best practices.

Fiscalis 2013 was assessed to have made a contribution to the reduction of administrative burden thanks to the use of e-Forms (VAT, Direct Tax) by reducing the time and effort required to send and receive requests for information. The strength of the contribution was influenced by the level of competence of tax officials and the way in which the administration was organised.

### **The results and impacts of a pan-European electronic tax environment**

The evaluation found that the Trans-European IT systems to a high extent have helped national tax authorities identify and combat tax fraud and tax evasion. In particular, VIES was considered an essential tool to identify potential irregularities in VAT related to intra-EU supplies. Moreover, the real-time control on duty-suspended movements provided by EMCS was considered to have made fraud a lot more difficult and costly to commit.

The IT systems ensured that auditors had access to high quality and timely information which in turn enabled a more effective assessment of the tax payer. Thus it can be assessed that the access to information facilitated improved revenue collection and helped tax administrations protect the financial interests of Member States and the EU.

Overall the IT systems supported by Fiscalis 2013 were assessed to have had a positive impact on the reduction of administrative burden for tax administrations, although this finding is nuanced and depends on the IT system. Reductions were mainly achieved thanks to the elimination of paper documentation, reduction of the time and effort



involved in procedures for tax officials and simplification of the necessary procedures in transactions.

The impact of the IT systems on administrative burden for economic operators is less clear, and it should be highlighted that the evaluation has not collected data directly from economic operators, and thus findings are not conclusive. While evidence on the reduction of administrative burden for traders was clear for certain systems such as VIES-on-the-web, trader opinions appeared to be divided on the impact of EMCS.

The evaluation findings clearly show that the IT systems supported Member States to cooperate effectively and implement the EU law in taxation. The use of common e-Forms had a strong impact in this area, facilitating information exchange between competent officials. The common development of the IT systems and use of the joint actions was also important to allow Member States to cooperate in a more informal manner and thus reach consensus on implementation of the EU law.

The evaluation concludes that Fiscalis 2013 clearly contributed to and delivered strong results in relation to reducing fraud, reducing the administrative burden (for tax administrations) and supporting the implementation of Union law in taxation. Without this ability to cooperate and exchange information using the Trans-European IT systems, it is likely that the monitoring of the internal market would be less harmonised and thus less effective.

### **Unexpected and/or unintended results and impacts generated by the programme's activities**

The evaluation found that the programme resulted in few unexpected or unintended results or impacts. A positive unintended result of the programme was that joint actions contributed strongly to establishing informal contacts between participating tax officials, which was considered to strengthen also more formal administrative cooperation by facilitating communication between tax officials.

There were some indications that e-Forms used incorrectly by tax officials could increase the administrative burden related to some requests for information. Overall, however, positive assessments of e-Forms were more prominent, and in general they were assessed to have contributed to a reduction of administrative burden.

The achievements of the programme were most primarily influenced by factors within the national administrations including the national IT systems, organisation of the tax administration and national legislation. The economic crisis in Europe was primarily regarded as a hindrance to the programme, because many Member States' budgets were reduced at the expense of participation in Fiscalis 2013.

### **How dissemination of awareness, knowledge and action (implementation), weighed on the achievement of the programme's objectives**

It is the evaluator's opinion that the dissemination of awareness, knowledge and actions influenced Fiscalis 2013's ability to achieve its objectives. It was assessed that awareness of Fiscalis 2013 amongst tax officials increased the likelihood of participation in Fiscalis joint actions, which were used to expand networks sharing information to solve problems and share good practices.

The evaluation finds that the information on the programme reached a large audience throughout Member States, where two thirds of surveyed tax officials had heard about the programme. However, findings suggest that more specific knowledge of the programme's activities and objectives may still be limited.

According to findings, knowledge or outputs derived from programme activities were shared to a high extent within national administrations by participants in joint actions. In general, tax administrations prioritised participation in activities which were aligned



with national objectives or strategies, also underlining the complementarity and synergies between Fiscalis 2013 and national initiatives.

### **Did the programme's resources produce best possible results at the lowest possible costs (best value for money)?**

The evaluators assess that the outputs and results achieved justify the costs of the programme. The costs of the Trans-European IT systems were judged to be justified given their levels of usage. Overall, the programme enabled a high level of common development and maintenance cost, leading to economies of scale and likely cost savings.

The costs associated with joint actions were also assessed as reasonable given the outputs and results that these deliver in achieving the programme objectives. No evidence identified indicated that the same results could have been delivered at a lower cost or that substantial savings could be made. No existing alternatives to Fiscalis 2013 were assessed as able to deliver these results at the same or lower cost.

Overall it seems likely that the best possible results have been produced, given the complex environment of Fiscalis 2013. There was no evidence of unrealised potential savings or unnecessary costs in the programme, nor were there any indications of budget constraints making strategic targets or activities difficult to obtain in the programme.

### **The European added value of the Fiscalis 2013 programme**

The programme was assessed to be complementary to existing national and bilateral initiatives, and instrumental in supporting national initiatives and priorities. Bilateral initiatives or instances of closer cooperation were mainly in parallel to Member State's participation in Fiscalis 2013, often going beyond the exchange supported by the programme.

The human networks between tax officials created by Fiscalis 2013 were repeatedly highlighted as one of the most important effects of the programme. Although there was little evidence to suggest the development of a "common administrative culture", the evaluation found that such contact increased the willingness to cooperate across Member States and rather contributed towards a "common approach" related to tax fraud.

The consequences of ceasing to fund the programme would likely include an overall reduction in Member States ability to combat fraud and tax evasion and a reduced effectiveness within national administrations – in particular in relation to collaboration with other Member States to implement EU tax legislation. This would probably lead to loss of tax revenues, risk distorting competition and ultimately this would have a detrimental effect on the functioning of the internal market.

### **Recommendations**

Based on the conclusions of the evaluation, recommendations were developed for key stakeholders of the programme.

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.	DG TAXUD and Participating countries

Nr.	Recommendation	Main responsible
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.	DG TAXUD and Participating countries
3	The programme should continue to disseminate information on how PICS is intended to be used and what functionalities it has.	DG TAXUD
4	The Commission should continue to play an active role in facilitating collaboration on national IT applications between Member States.	DG TAXUD and Member States
5	The Commission should continue to develop central applications which can be used by all Member States.	DG TAXUD and Member States
6	The Commission and Member States should explore further integration between taxation and customs procedures.	DG TAXUD 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.	DG TAXUD and Member States

# 1. Introduction

## The Evaluation

The present report constitutes the final report of the final evaluation of the Fiscalis 2013 programme. It presents the data collected in the evaluation, as well as the results of the data analysis, conclusions and recommendations.

The report has been structured in the following manner:

- Section 1 is an introduction which contains the background and objectives of Fiscalis 2013 and describes the set-up of the programme.
- Section 2 contains a presentation of the methodological framework for the evaluation, including an analysis of the strength and weaknesses of the chosen approach.
- Section 3 presents the contribution story of Fiscalis 2013, for each of the main relevant tax areas (VAT, Excise duties and Direct Taxation). The contribution stories aim to describe to what extent and how activities funded by Fiscalis 2013 have brought about intended results, and to explore and analyse which internal or external factors influenced achievements.
- Section 4 discusses in detail findings related to the evaluation questions from the terms of reference for the assignment.
- Section 5 contains conclusions and recommendations, based on the evaluation findings. The conclusions also touch upon the extent to which the recommendations from the midterm evaluation have been taken into account.
- The Annexes to the report present the results of the primary data collection activities (frequency tables for surveys and case study reports), as well as the more detailed methodological framework for the evaluation (intervention logics and evaluation matrix).

Throughout the report, the programme evaluated is referred to as either "Fiscalis 2013" or "the programme". When findings relate to longer time periods (for example results stemming from developments over several years), it is in general labelled as results of Fiscalis without further specification of programming periods.

## Objectives of the evaluation

This evaluation was conducted in line with Decision 1482/2007/EC (called henceforth: the programme Decision), according to which the European Commission is to submit a final evaluation report of the Fiscalis 2013 programme to the European Parliament and the Council in 2014.<sup>1</sup>

The final evaluation of the Fiscalis 2013 programme has the following objectives:

- To provide an assessment of the programme's **effectiveness** with regard to achieving its objectives;
- To provide an assessment of the **efficiency** of the programme in achieving its objectives.

In addition to these, the evaluation must also assess the programme according to the **EU added value** and **utility** criteria.

<sup>1</sup>Decision No 1482/2007/EC establishing a Community programme to improve the operation of taxation systems in the internal market (Fiscalis 2013), OJ EU 15.12.2007, L 330/7, Art. 19.

The specific evaluation questions stated in the terms of reference were as follows:

1. What is the European added value of the Fiscalis 2013 programme?
2. To what extent and how has the creation of a pan-European electronic tax environment through the development of interoperable communication and information exchange systems, helped the tax authorities to:
  - a) better protect the Union's and Member States' financial interests...
  - b) ... while decreasing the administrative burden on taxable persons...
  - c) ... and avoiding distortions of competition;
  - d) implement the EU tax law in an effective, efficient and uniform fashion?
3. Were there any unexpected and/or unintended results and impacts generated by the programme's activities; what were their triggering factors and what is the extent to which they hampered and/or helped the programme's functioning and the achievement of its objectives?
4. To what extent and how have the strategies/approaches endorsed by the programme's stakeholders with regard to the dissemination of awareness, knowledge and action (implementation) weighed on the achievement of the programme's objectives?
5. To what extent have the programme's resources produced best possible results at the lowest possible costs (best value for money)? Could the use of resources be improved?

### **Scope of the evaluation**

The final evaluation is comprehensive and covers the entire duration of the programme from 2008 to 2013. The systems for transnational communication and information exchange were the main focus of the evaluation, since their development and maintenance accounts for approximately 75% of the Fiscalis 2013 budget. In essence, the achievements of Fiscalis 2013 were assessed on the basis of the IT systems developed, but also taking into account the joint actions which have been conducted in relation to the systems in specific taxation areas.

The evaluation also took into account the mid-term evaluation of the programme, and assessed the extent to which recommendations were followed or implemented.

## Background and objectives of Fiscalis 2013

Fiscalis 2013 covered the period 1st January 2008 to 31st December 2013 and followed a series of programmes aiming to ensure the proper functioning of the taxation systems in the internal market by improving cooperation between tax administrations and officials. Previous programmes include Matthaeus-Tax (established in 1993), the first Fiscalis programme (1998-2002) and the second Fiscalis programme (2003-2007).

At the start of the programme, the participating countries included 27<sup>2</sup> EU Member States and 3 candidate or potential candidate countries, Turkey, Serbia, and the former Yugoslav Republic of Macedonia<sup>3</sup>. As participation in Fiscalis activities is voluntary (with the exception of activities related to the communication and information-exchange systems), the degree of participation varies.

## Objectives of Fiscalis 2013

Fiscalis 2013 pursued several specific objectives (Article 4 of the programme Decision) that aimed to achieve the overall objective of *improving the proper functioning of the taxations systems in the internal market* by increasing cooperation between participating countries, their administrations and officials. The specific objectives address three tax areas, as well as matters related to candidate countries and potential candidate countries.

For VAT and Excise duties (on alcohol, tobacco, energy products and electricity), the specific objectives of Fiscalis 2013, as established by the programme Decision, were:

- to secure efficient, effective and extensive information exchange and administrative cooperation;
- to enable officials to achieve a high standard of understanding of Community law and its implementation in Member States;
- to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxable persons through the development and dissemination of good administrative practice.

For taxes on income and capital, the specific objectives were:

- to secure efficient, effective and extensive information exchange and administrative cooperation, including the sharing of good administrative practices;
- to enable officials to achieve a high standard of understanding of Community law and of its implementation in Member States.

For taxes on insurance premiums, Fiscalis 2013 aimed:

- to improve cooperation between administrations, ensuring better application of the existing rules;

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<sup>2</sup> The Republic of Croatia became a Member of the EU on July 1st 2013, thus bringing the number to 28 Member States

<sup>3</sup> ISO code 3166. Provisional code which does not prejudice in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place under the auspices of the United Nations ([http://www.iso.org/iso/country\\_codes/iso\\_3166\\_code\\_lists.htm](http://www.iso.org/iso/country_codes/iso_3166_code_lists.htm))

And finally, with regard to candidate and potential candidate countries, the specific objectives of Fiscalis 2013 were:

- to meet the special needs of candidate countries and potential candidates so that they take the necessary measures for accession in the field of tax legislation and administrative capacity.

### **Programme planning and management**

As established by the programme Decision Article 5, an Annual Work Programme (AWP), was elaborated for each year (2008-2013), establishing the key initiatives and priorities for Fiscalis 2013 for the specific years, and budgetary breakdown. The AWP were made publically available on the Commission's website.

The AWP were drafted by the Commission and approved by the Fiscalis 2013 Committee.<sup>4</sup> The Fiscalis 2013 Committee is a comitology committee consisting of representatives of the Member States and chaired by the Commission. Annual financing decisions were adopted by the Commission.

The overall management and coordination of Fiscalis 2013 is anchored in the European Commission, DG TAXUD, Unit R3 – Information and management of programmes. The Commission was assisted by the Fiscalis 2013 Committee in the implementation of the programme. DG TAXUD and the participating countries held meetings (Coordinators network meetings) for discussions on the broader lines and strategic focus of the programme.

R3 was in charge of the programme's management. Colleagues from other units in DG TAXUD, who are specialists in specific areas of taxation, were involved in concrete activities within their field of expertise.

In each participating country, a National Fiscalis Coordinator (NC) oversees the overall coordination of the programme at the national level and functions as the main point of entry to the Fiscalis management of the particular country. In practice, this function may be divided between several people (e.g. one for VAT and other indirect taxes, and another for Excise). Besides the National Fiscalis Coordinator, the participating countries may have coordinators for the different types of Fiscalis activities (e.g. multilateral controls and working visits) who are in charge of the organisation and international coordination of specific activities in the Member States.

### **Financial framework**

The budget for Fiscalis 2013 was set at 156,9 million EUR, of which approximately 75% were allocated to the communication and information-exchange systems, designed to underpin cooperation in the field of tax between the Member States. Approximately 22% of the budget went to joint actions and another 3% was dedicated to the common training tools.

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<sup>4</sup> Established pursuant to Art. 17 of the programme Decision.

### Activities under Fiscalis 2013

The different types of actions of Fiscalis 2013 were set up in the programme Decision and included:

- **Communication and Information-Exchange Systems** (called henceforth: the IT systems or Trans-European IT systems): the most important IT systems include online tax databases such as VAT Information Exchange System (VIES), Excise Movement and Control System (EMCS), and different types of e-Form applications developed to simplify the exchange of information between tax officials in different countries. The systems operate by using the Common Communication Network/Common Systems Interface (CCN/CSI network) - a secure messaging system/IT infrastructure, which is used by all Trans-European IT systems.
- **Multilateral Controls (MLC)**: co-ordinated control of the tax liability of one or more related taxable persons, which is organised by two or more participating countries that include at least one Member State and have common or complementary interests.
- **Seminars and Workshops**: one-off events of one-day duration or more, providing an opportunity to bring together the administrations of all participating countries to discuss or examine a specific topic.
- **Project Groups/Steering Groups**: a project group has specific predefined objectives and expected outputs and is composed of a limited number of interested countries. Project groups are operational during a fixed period of time during which a certain number of meetings take place to discuss/resolve the pertinent issues.
- **Working Visits**: outgoing or incoming working visits, of maximum 28-day duration, where officials of national administrations work together on or study an agreed-upon activity or subject (at operational, technical, strategic, policy level) within the scope of the programme.
- **Training activities**: E-learning modules are developed by the European Commission in cooperation with tax officials (e.g. in project groups) on, for example, new legislation, new tools for information exchange or other topics of common interest. This activity category is not solely directed towards Member State tax administration officials, but, with certain exemptions, also to candidate countries and potential candidates, economic operators and other stakeholders with a possible benefit from the greater understanding and knowledge of the EU legislation/policy.



## 2. Methodology used in the evaluation

### Overall approach and design

The central question to be answered in the present evaluation was whether on an overall level Fiscalis 2013 contributed to realising the objectives set out in the Decision establishing the programme. The evaluation questions from the terms of reference for the assignment clearly reflect this objective, by focussing on the effectiveness, efficiency, utility and European added value of Fiscalis 2013, assessed specifically through the IT systems developed and maintained by the programme.

To guide the evaluation, an evaluation matrix was elaborated in the inception phase, with operationalised sub-questions, indicators, judgement criteria and norms, as well as data sources. The evaluation matrix gives a complete overview of how and on which basis judgements or answers to evaluation questions have been made. The evaluation matrix can be found in Annex 4. Throughout the evaluation, the matrix has been used to design data collection instruments, conduct analysis of data and draw conclusions. Where the intended approach to answering a question has not been applied (e.g. due lack of data, redundant indicator, unrealistic norm), this is explained in the report.

Both the objectives of the evaluation and the evaluation questions were focused on assessing the results and impacts of the programme. In a classical impact evaluation seeking to establish a causal link between activities, results and impacts, the analyses of quantitative evidence, baseline and comparisons are essential. This was a challenge in a programme such as Fiscalis 2013 due to a number of factors:

- Firstly, the programme was a successor programme in tax cooperation initiatives dating back to 1993, which means that results and impacts cannot be delimited to one or the other programme period.
- Secondly, no baseline or comparison exists and it was not possible to assess what would the situation without Fiscalis 2013 have been like, other than in a hypothetical and qualitative way.
- Thirdly, very little quantitative data existed or was made available to the evaluators. For example it has not been possible to obtain information on amount of fraud detected or of tax recovered through the Fiscalis funded tools and activities. Hence, little tangible evidence was available to assess the results and impacts.

Hence, the evaluation has sought to establish the results and impacts of Fiscalis 2013 by using an alternative method for evaluating impact, namely contribution analysis. In this report, the contribution stories for each main tax area (VAT, Excise and Direct Taxation) are presented in the section "Contribution stories". Originally, it was intended to develop one contribution story for electronic information exchange as such, but during the course of the evaluation and reporting, it became evident that such a contribution story would merely be repeating findings from tax-specific contribution stories; hence the idea to analyse it as a separate contribution story was abandoned.

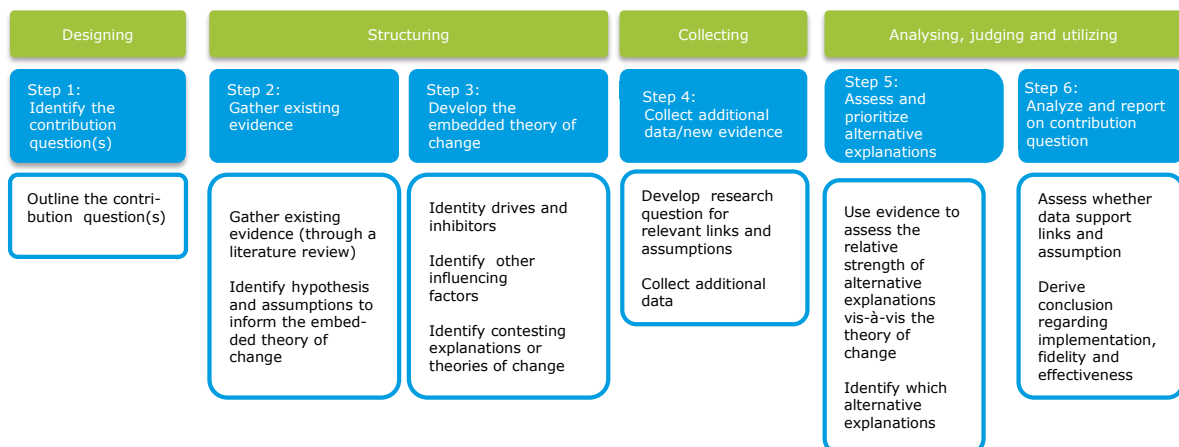
## Contribution analysis

Contribution analysis is an analytical approach which facilitates studies that examine whether a programme or policy contributed to achieving certain results and impacts. The basic assumption underlying contribution analysis is that causality can be derived from demonstrating how a program is based on a plausible and doable theory of change, that the activities in the theory of change are implemented accordingly, and that the theory of change can be validated by existing evidence. Additionally, evidence should demonstrate that the chain of expected results has occurred and that other factors, including alternative explanations for achievements that influenced the programme were assessed and their relative influence recognized.

The contribution analysis allows the evaluators to come to reasonably robust conclusions about the programme activities by building a theory of change about how the programme is expected to achieve its objectives and to identify the underlying mechanisms that are assumed to bring about this change (hypotheses). These hypotheses are then tested against alternative explanations to indicate attribution of impacts of the programme. The process is iterative; as the understanding about the causal mechanisms is refined, there is a continued reduction of uncertainty about contribution of the programme towards its objectives.

The following figure and text describe in detail more the steps in the contribution analysis, including how analysis and judgement were carried out in the evaluation.

**Figure 1 Steps in the contribution analysis**



In the initial phases of the evaluation, the contribution questions were identified (step 1) and existing evidence was reviewed and structured in intervention logics as well as several hypotheses specific to each tax area (step 2). Additionally, a number of examples of influencing factors were identified (step 3) and these were later complemented by alternative explanations – e.g. explanations not directly related to Fiscalis 2013. New evidence was gathered (step 4) in the data collection phase of the evaluation and the analysis presented in this report assess whether the data supports the hypotheses (step 5). Finally, this enabled the evaluators to answer the evaluation questions (in particular the causal, explanatory and exploratory ones) and to develop complete theories of change (step 6) for each of the tax areas.

There are two main elements in building the contribution story in step 6 - the development of the embedded theory of change and its use in answering the evaluation questions. In this process the hypotheses developed for each tax area have been a practical tool to assess the causal mechanisms of the programme. The validation or rejection of assessments has thus helped explain the links between the Fiscalis 2013 activities and the outputs and results generated.

The hypotheses were prioritized according to how well they fit with the purposes of the evaluation, and how well they could answer the evaluation questions. This was done in order to build credible contribution stories about the programme and ensure that the most relevant causal links were examined.

When the new data has been gathered, each hypothesis was tested using the findings from the data collected – case studies, interviews, survey and secondary data. Data was extracted from these sources in order to validate/reject the hypotheses, as illustrated in the below example

**Table 1 Example of analytical approach to validate a hypothesis**

Link in the intervention logic	Hypothesis	Data collection example		
		Case studies	Secondary data	Survey data
<b>Securing efficient, effective and extensive information exchange and administrative cooperation in the area of Excise</b>	<b>From output to outcome:</b> being able to monitor movements in real-time enables officials to more effectively identify any irregularities in Excise movements.	e.g. understanding derived from interviews with national tax officials working in the area on a daily basis.	e.g. availability of EMCS system	e.g. question 12.4

In the process of data collection, contextual information was taken into account in order to provide more details on the actual causal mechanism.

The assessment of the hypothesis was done based on common trends identified from the data sources. If there was sufficient evidence from multiple sources, then the certainty about the causal link was considered to be stronger. For each chain in the logic, alternative explanations about the observed impacts were tested, and the causal story was gradually refined. It should be highlighted that the hypotheses are working tools for the evaluation team.

While a contribution analysis does not prove statistically that the programme intervention produced results, it does allow probable contribution to be identified by building a credible, well-founded story about how the Fiscalis 2013 was performing in terms of its intended results, based on multiple data sources. As such, this approach also provides rich detail on the underlying mechanisms of the programme – i.e. how results were really achieved. The process has been iterative - as contextual factors were taken into account and alternative explanations were considered, there was a gradual elimination of doubt about the contribution of Fiscalis 2013 to its intended objectives.

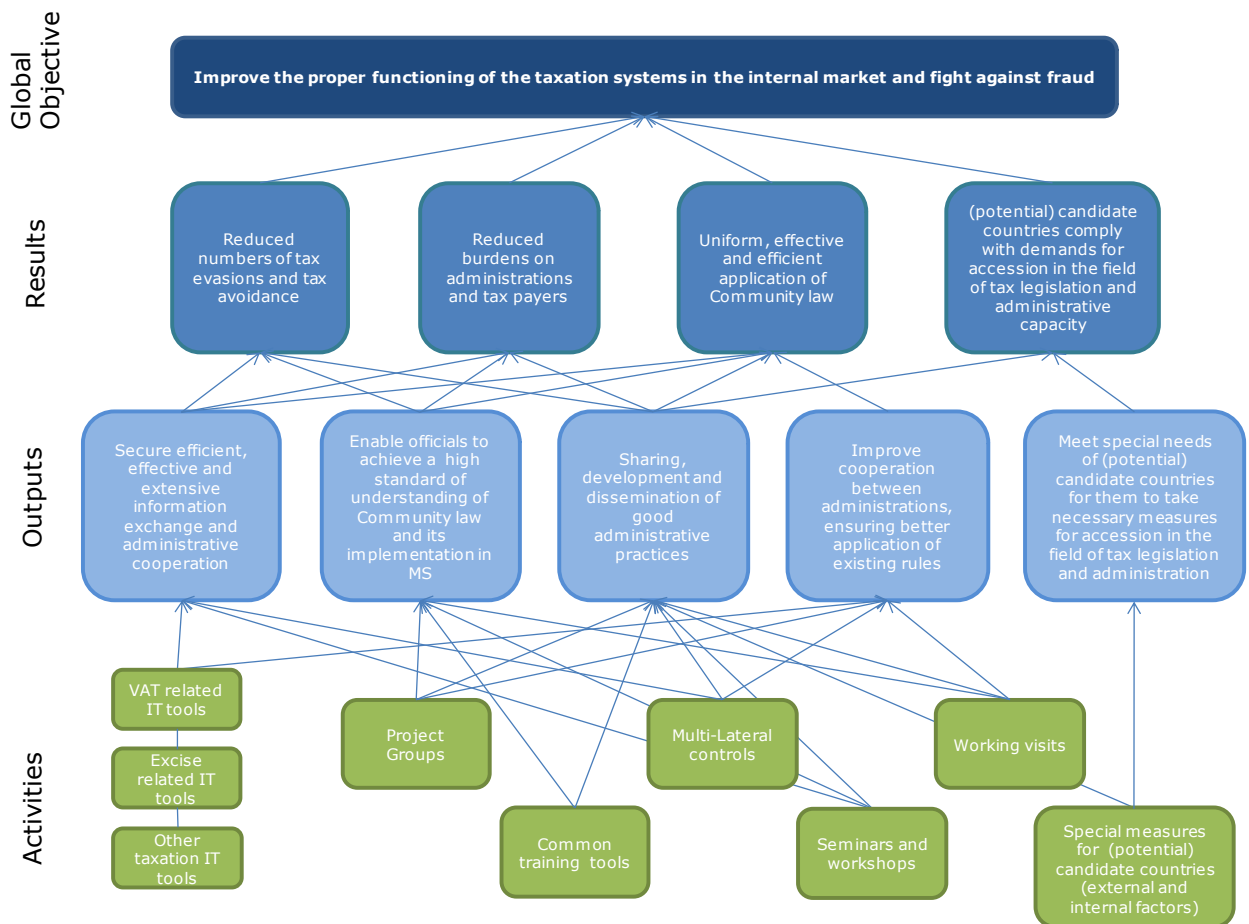
In summary, contribution analysis uses the theory of change as an overarching strategy for collecting and presenting data through the tracking and tracing of the intervention logic towards the higher level objectives. As such, the first step was to establish the intervention logic for Fiscalis 2013. In the following section, the overall intervention logic of the programme, including identified influencing factors, is presented. The more detailed intervention logics and hypotheses which were developed in the inception phase for each tax area are presented in Annex 5.

### Intervention Logic of Fiscalis 2013

Figure 2 below is intended to give a visual overview of the overall programme logic – how the programme activities were intended to ultimately contribute to the global objective via the generation of specific outputs and results.

The intervention logic is, first of all, based on the presentation of the programme objectives and activities in the programme Decision. Additional information for establishment of the intended links between the programme activities and objectives has been drawn from explorative interviews and the descriptions of the activities and their objectives available from various studies, reports and resources (listed below per tax area).

**Figure 2 Overall Intervention Logic Fiscalis 2013**



The communication and information-exchange systems financed by Fiscalis 2013 represent approximately 75% of the overall budget, and the continued development and maintenance of the information exchange systems is regarded as the foundation for cooperation between Member States administrations.

As such, the evaluation pays particular attention to how the IT systems add value to cooperation between Member States in key tax areas and thus help achieve the objectives of Fiscalis 2013.

## Hypotheses and influencing factors

Whilst the intervention logic illustrates how the objectives relate to activities by ways of outcomes and results, the hypotheses or assumptions take it one step further and clarify the causal links between activities, outputs, outcomes, etc.

For all tax areas the hypotheses are generated based on the existing evidence, thus taking into account previous findings (for example, from the Impact Assessment 2006 and the Fiscalis 2013 mid-term evaluation). This approach contributes to the hypotheses' plausibility, while ensuring that they are formulated in a transparent and well-documented way.

As highlighted in the Impact Assessment of Fiscalis 2013 and the mid-term evaluation, the programme has no direct impact on the functioning of the internal market, the fight against fraud or the competitiveness of taxable persons. Therefore it is important to keep in mind that the programme should rather be seen as an important contribution to these global objectives through the ways illustrated in the hypotheses – specific contributions within each tax area.

The hypotheses clarify the expected linkages between the different levels of the intervention logic through concrete statements. However, influencing factors will affect the extent and way in which the results are achieved and will be identified during the case studies and interviews, helping to build and refine the embedded theory of change. Existing evidence suggested to expect a number of factors to come into play, some of which are listed in the table below.

**Table 2 Potential influencing factors**

Potential influencing factors
Institutional capacity to use the information that is exchanged electronically
Dissemination within the administration of information gained through joint actions
Follow-up and implementation of actions resulting from Fiscalis 2013 activities
Knowledge management strategies within national administrations
Differences in which categories or types of automatic exchange are relevant for Member States
The resources dedicated to individual tax areas within national administrations
Turnover of staff within the national administration
The resources dedicated to the national IT systems
The technical set-up of the national IT systems
Language skills of participating officials
The selection criteria of national officials attending joint actions

It is important to note that while the influencing factors are believed to affect the contribution that Fiscalis 2013 makes towards achieving its objectives, they remain the contextual factors which the programme cannot influence directly. Hence, the national implementation of the Fiscalis 2013 systems and activities is not being evaluated per se, but needs to be assessed to identify the conditions for success of Fiscalis 2013.

In the "Analysis and Judgment" phase of the evaluation, the developed hypotheses were tested against the evidence primarily gathered through in-depth interviews with officials

from national tax administrations. Put differently, the hypotheses worked as a tool to systematically analyse how Fiscalis 2013 activities contribute to the achievement of the programme results.

The hypotheses reflect that some of the objectives lend themselves more to certain activities than others. For example, exchanging good practices is most often done through joint actions, while automatic exchange of information is best achieved through the IT tools. At the same time, the Fiscalis 2013 activities support and complement each other, for example in the joint actions on the implementation of IT tools.

### Data collection tools

The data collection tools presented below were designed to address the data needs of the multifaceted contribution analysis approach. The tools were used to collect different types of data and reach out to stakeholder groups at (EU-level, National Coordinators, users of the Fiscalis 2013 outputs). The tools were designed so as not to overlap with the regular data collection activities of DG TAXUD, but rather complement and build upon them.

### Secondary data analysis

The analysis of secondary data (e.g. existing data gathered typically for different purposes) was an important source of information for the evaluation. The secondary data used was based on the financial and monitoring reports prepared by the Programme Management unit in DG TAXUD from 2008 onwards.

**Table 3 Secondary data used**

Type of data	Description	Availability
Financial	Financial data from Activity Reporting Tool 2 (ART2)	Monthly reports generated
	DG TAXUD R3 overall budget data	Spreadsheet
	Data on budget of the IT systems	DG TAXUD R4 (project support)
Monitoring	Output data in ART2 <ul style="list-style-type: none"> <li>- Participation levels</li> <li>- No. and type of meetings/activities</li> </ul>	DG TAXUD R3 Monthly reports generated.
	DG TAXUD R3 programme management data (ART2)	Spreadsheet
	IT systems; DG TAXUD R4 annual activity reports <ul style="list-style-type: none"> <li>- Volume of messages (CCN, VIES, CCN mail)</li> <li>- Volume of service desk calls</li> </ul>	DG TAXUD R4 Annual Activity Reports 2008-10, 2013 Monthly statistics reports 2007-2013
	EMCS survey and implementation report	Survey and report available

Besides the abovementioned data, the programme Decision, the Impact Assessment of the Programme, the Annual Work Programmes 2008-2013, and the Fiscalis 2013 mid-term evaluation report were also used throughout the analysis.

## Surveys to tax officials and National Programme Coordinators

In order to collect first-hand evidence for the analysis of the results of Fiscalis 2013, two surveys were conducted.

A survey to tax officials in the national administrations was distributed in January 2014. It was distributed in cooperation with the National Fiscalis Coordinators, who were asked to disseminate a self-creation link<sup>5</sup> to the survey to their colleagues. It was specifically intended to reach both non-participants and participants, by asking for the survey to be disseminated widely in the tax administrations.<sup>6</sup> The intention was to not only reach key involved tax officials, but also staff working in administrations without direct involvement in Fiscalis 2013, in order to assess to what extent and in what ways the tools and activities funded by the programme had had an influence on everyday work in the tax administrations.

The first part of the survey contained questions on knowledge and awareness of the Fiscalis programme, cooperation between tax administrations and the means of contact/collaboration. These questions were modelled on the previously conducted "Awareness poll" for Fiscalis 2013. The second part of the survey was directed to tax officials who had participated in Fiscalis activities or used tools developed with support from the programme, with questions regarding the programme's results and the achievement of its objectives.

**Table 4 Survey responses from tax officials**

Participating country	Number of survey respondents	Share of total respondents (%)
<b>Poland</b>	874	39,91%
<b>Finland</b>	185	8,45%
<b>Italy</b>	184	8,40%
<b>Slovakia</b>	113	5,16%
<b>Portugal</b>	111	5,07%
<b>Spain</b>	74	3,38%
<b>France</b>	72	3,29%
<b>Cyprus</b>	70	3,20%
<b>Lithuania</b>	67	3,06%
<b>Bulgaria</b>	66	3,01%
<b>Denmark</b>	48	2,19%
<b>Austria</b>	45	2,05%
<b>Latvia</b>	44	2,01%
<b>Croatia</b>	42	1,92%
<b>Former Yugoslav Republic of Macedonia</b>	36	1,64%
<b>Greece</b>	35	1,60%
<b>Estonia</b>	29	1,32%
<b>Hungary</b>	28	1,28%
<b>Czech Republic</b>	18	0,82%
<b>Malta</b>	11	0,50%

<sup>5</sup> With a self-creation link method of survey distribution, the respondents enter their e-mail address in order to receive an individual link including a personal respondent code to the survey.

<sup>6</sup> The National Coordinators were asked to either publish the link to the e-mail survey on the tax administration's intranet or to forward the link with an e-mail to all colleagues.



<b>Luxembourg</b>	11	0,50%
<b>Ireland</b>	7	0,32%
<b>Belgium</b>	5	0,23%
<b>Turkey</b>	5	0,23%
<b>Sweden</b>	3	0,14%
<b>Romania</b>	2	0,09%
<b>Netherlands</b>	2	0,09%
<b>Slovenia</b>	1	0,05%
<b>United Kingdom</b>	1	0,05%
<b>Germany</b>	1	0,05%
<b>Serbia</b>	0	0,00%

Overall, the result of the survey dissemination was unsatisfactory from the evaluators' perspective. It took repeated reminders to ensure dissemination, and from some participating countries no confirmation of dissemination was ever received. Consequently, the number of responses varies greatly between countries, with certain countries missing altogether, as can be seen in the table above.

The skewed response rate (some countries being overrepresented, other countries missing or with few responses) can influence the overall validity of the responses, wherefore this has been taken into account when analysing the results. Survey results have been controlled by including/excluding countries with few responses, to check if results changed. In most instances, the results remained the same, bar for questions regarding awareness and knowledge of Fiscalis 2013.<sup>7</sup>

During interviews with National Coordinators, the evaluators enquired about dissemination issues and how it had been done. For most of the countries where few responses have been submitted (<5), the survey had only been distributed to a limited number of people, generally colleagues involved in Fiscalis 2013. It was also mentioned that in general tax officials were busy, and could not prioritise answering the survey amongst other pressing tasks. In order to improve response rates for future surveys, it was recommended to have a more sample-based approach and also to allow for paper based answers.<sup>8</sup> However, the evaluators believe that while such initiatives may help, it will not be effective unless participating countries clearly pledge their willingness to actively engage and support future evaluation efforts.

In addition to the survey to tax officials, in January 2014, a survey was also sent to the National Coordinators, replicating questions in the National Coordinators' survey from the mid-term evaluation. The survey questions concern relevance, implementation/programme management, effectiveness and efficiency, asking the National Coordinators to rate Fiscalis achievements in their national contexts.

A total of 43 responses were collected and coordinators from all but 2 of the Fiscalis participating countries have submitted responses to the survey. See response rates in Annex 2.

<sup>7</sup> This is logical since the more widely the survey was disseminated; the more likely it is that the survey reached respondents who were less aware or knowledgeable of Fiscalis 2013.

<sup>8</sup> A paper based option was indeed used for Spain, since the tax officials do not have access to internet from their workplace.

## Interviews with stakeholders

Interviews with key stakeholders from DG TAXUD and participating countries were an important source of data in the evaluation. The purpose of the interviews was twofold: to help design and test the developed theory of change and hypotheses and to gather evidence validating or invalidating the hypotheses (i.e. evidence on the impacts, but also on the drivers, inhibitors and alternative explanations).

As described in the table below, seven interviews were conducted with DG TAXUD staff from different units, and 11 interviews were conducted with National Fiscalis Coordinators.

**Table 5 Key stakeholders for interviews**

Type of Stakeholder	Specific	Topics covered
<b>DG TAXUD</b>	Unit R3 Programme Management  Interviews with policy units: <ul style="list-style-type: none"> <li>- C4: Tax administration and fight against fraud</li> <li>- C1: VAT</li> <li>- C2: Indirect taxes other than VAT (Excise)</li> <li>- D2: Direct tax policy and cooperation</li> </ul> Unit R4: Taxation systems and IT compliance	<ul style="list-style-type: none"> <li>- Intervention logic</li> <li>- EU added value</li> <li>- Effectiveness</li> <li>- Efficiency</li> <li>- Unintended effects</li> </ul>
<b>National Coordinators for Fiscalis 2013</b>	Case study countries: Luxemburg, Spain, Hungary, Netherlands, Finland  National coordinators of Fiscalis 2013 in: Slovenia, Sweden, Ireland, UK, Romania, Belgium	<ul style="list-style-type: none"> <li>- EU added value</li> <li>- Effectiveness</li> <li>- Efficiency</li> <li>- Unintended effects</li> </ul>

## Case studies

The case studies were used primarily to provide systematic knowledge of the mechanisms at play in realising the expected outcomes. The purpose was to understand how Fiscalis 2013 has contributed to the daily activities in different national tax authorities - in short, to assess the programme's achievements.

The case studies focussed on tax areas and cooperation where the main investments in IT instruments and cooperation have been done, namely VAT, Excise and Direct Taxation. In the below table we show what systems, outputs and outcomes were examined in the case studies.

**Table 6 Themes for case studies**

<b>Tax area</b>	<b>IT system(s)</b>	<b>Outputs</b>	<b>Outcomes</b>
<b>Value Added Tax</b>	VIIES, VIIES on the web, VAT refund, e-forms	Automatic exchange of VAT-related information between Member State tax administrations	Member States administrations can more effectively monitor and control the flow of intra-community trade  Traders can quickly obtain confirmation of the validity of VAT numbers of their trading partners
<b>Excise duties</b>	EMCS, SEED	Fast, safe and secure exchange of real-time Excise-related information between Member States, including the electronic transmission of the e-AD  Collection of operational data concerning the movements of goods and system usage	Member State administrations can monitor flows more effectively and improve the control of movements under duty suspension  Simplified procedures and faster discharge of the movement
<b>Direct Taxation</b>	E-forms, TIN-on-the-web	Closed and secure IT network that allows fast, safe and secure exchange of information between Member State administrations	Secure efficient, effective and extensive information exchange and administrative cooperation  Improved cooperation between administrations, ensuring better application of existing rules

The case studies were used to go into depth with the practical usefulness of the programme, in general, and the IT systems, in particular, to the tax administrations in Member States, in order to assess to what extent the systems produced the expected outcomes.

The level of detail allowed for recognition of links not only between activities and outputs, but also to outcomes, because the complete and thorough study of the use of the IT systems in the national tax administrations gave a more complete picture of Fiscalis' contribution to the national tax systems. The case studies helped contextualise Fiscalis 2013 – from objectives and implementation to outputs and outcomes – also taking into account contextual factors and alternative explanations.

### **Selection of Member States**

Five case studies of tax administrations in Member States were conducted. Ideally, case study selection should ensure coverage of different geography/size of country and tax administration. However, for practical reasons, the selection was done by extending an open invitation for case study participation to all participating countries, which was accepted by a few of them. Member States present in the Steering Group for the evaluation also showed a willingness to participate, which in the end led to a list of five countries with fairly different sizes and geographical location, namely:

- Luxembourg
- Spain
- Hungary
- Netherlands
- Finland

Overall, the organisation of case studies went very well, and the National Coordinators organised and participated actively.

### **Data collection in case studies**

For each of the case studies, interviews were conducted with respondents whose daily work entails the use of Fiscalis 2013 tools, or who have participated in programme activities. In addition, the respondents were selected so as to cover different administrative functions and taxation areas:

- National Fiscalis 2013 Coordinator(s);
- Relevant Central Liaison Office (CLO) for VAT, Excise and Direct Taxation respectively;
- MLC Coordinator(s);
- IT department/developers;
- Tax officials using the applications/systems in day to day work and/or have participated in activities.

Between 10 and 20 interviews were conducted in each case study, over the duration of 2 to 3 days. Interviews were conducted on-site, in the tax administrations, with occasional follow-up by the phone or e-mail due to unavailability of certain respondents.

The case studies are a data collection method rather than an analytical one. The case studies have provided holistic evidence of the context in which Fiscalis 2013 functions and contributes to outcomes. These are described in case study reports which are included in Annex 3.

## Data quality and methodological considerations

While the evaluation can establish contributions of the programme to specific outcomes such as improved or increase cooperation between Member States tax administrations, it is more difficult and near impossible to establish, for example, amount of tax recovered, or level of fraud reduction, let alone attribute it to the functioning of the Fiscalis programme.

The evaluation, therefore, aimed to establish to what extent it *was likely that Fiscalis 2013 had contributed* to higher policy level objectives, through the contribution analysis, based largely on the opinions of people who know and use Fiscalis. Wherever possible, the evaluation made (cautious) use of the scarce quantitative evidence.

To use contribution analysis has had three important advantages for the final evaluation of Fiscalis 2013:

- Systematic and transparent documentation of each step in the theory of change applied to Fiscalis 2013;
- Clear and solid base for recommendations built on sound explanations of the mechanisms and workings of Fiscalis 2013, including how contextual factors may influence how the programme works in programme participating countries;
- More focused and cost-effective data collection due to the structured analytical approach and systematic documentation.

The methodology has proved appropriate in our opinion, as it provided room for an explorative approach and allowed for conclusions based on largely qualitative evidence. The methodology would clearly have been strengthened further if more quantitative data on results level had been available, such as tax recovered or fraud detected, to complement the qualitative results. While the evaluators acknowledge that such information may be sensitive to share, and that not all tax recovery or fraud detection can or should be linked to Fiscalis' activities, it would clearly provide added value to future evaluation endeavours. This data can only be shared at Member State level, and national administrations are therefore recommended to thoroughly consider and explore what data exist and if information could be provided in a way which would not endanger future efforts in tax cooperation.

As for the data collection, the survey to tax officials generated somewhat disappointing results, at least in terms of responsiveness. The evaluation findings would be more solid and robust, had the evaluators been able to gather opinions from more respondents in all national tax administrations. Still, despite the uneven distribution of responses among Member States, the responses to individual questions do not appear to be skewed due to the over-representation of certain countries. Following an analysis of the responses by Member State, it was established that it is only with regard to questions on awareness and knowledge of the programme, that the results are somewhat influenced by the Polish responses, since a considerably lower share were aware of or knew Fiscalis 2013 prior to answering the survey in Poland than in other countries.

However, almost 40% of the responses were from Poland, which indicates that the survey has been disseminated more widely throughout the tax administration than in other countries. Follow-up discussions with National Fiscalis Coordinators indicated that similar results were likely to have been found in other national tax administration, had the survey been distributed more widely to them as well (e.g. also to local and regional tax officials, support staff, etc.). In the future, it is recommended to use a more sample

based approach, e.g. to request national administrations to disseminate evaluation surveys to a random or strategic<sup>9</sup> sample of sufficient size to generate robust evidence.

Overall, the evaluators consider that the case study findings are of a good quality and can be seen as reliable. The case studies should be seen as a separate research exercise, and were not designed to enable comparisons or be representative for the programme as such. However, there were certain trends and patterns which emerged in terms of achieved effects, contributing and influencing factors, which have been used consistently in the reporting to illustrate pertinent findings.

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<sup>9</sup> Random sample is relevant when the survey is general, looking at the overall results of Fiscalis in the national administrations. A strategic sample (selection of key involved users) is more relevant if there are certain aspects to uncover more in-depth, for example within in a tax area or among a group of users.

### 3. Contribution stories for the main tax areas

As described in the methodology section, the contribution analysis approach requires the development of a theory of change about how the programme is expected to achieve its objectives. During the inception phase, theories of change, as well as hypotheses about the causal links between programme activities and outputs, were developed for each tax area.

The hypotheses were prioritised according to how well they fit with the purposes of the evaluation, and how well they could help to answer the evaluation questions. By examining the most relevant causal links, a credible “contribution story” can be constructed.

It should be noted that the data collected during the evaluation uncovered additional ways in which the programme had an impact which were not always reflected in the original hypotheses. This has been taken into account by modifying hypotheses where necessary and by including the additional ways that the programme achieved its impacts in the narrative section.

In order to develop the contribution story, these links were examined in light of the evidence collected during the evaluation – desk research, case studies, surveys, interviews and secondary monitoring data - in order to assess the extent to which Fiscalis 2013 activities did indeed contribute to the expected outcomes.

For each link in the intervention logic, alternative explanations about the observed impacts were tested, so that the causal story could gradually be refined. From the theory of contribution analysis, it is important to stress that *“The overall aim is to reduce the uncertainty about the contribution the intervention is making to the observed results through an increased understanding of why the observed results have occurred (or not) and the roles played by the intervention and other factors.”*<sup>10</sup>

While this method does not prove statistically that the programme intervention produced results and to what extent it so did, it does allow probable contribution to be identified by building a plausible, well-founded story on the programme’s role in achieving the intended results. As such, this approach also provides rich detail on the underlying mechanisms of the programme and the multi-layered context in which it was performing.

#### Assessing the evidence

During the inception phase, hypotheses were developed about the expected contribution of the programme activities to the desired outcomes. The sources consulted included publicly available programme documents, relevant EU secondary legislation, information from the Europa webpages and explorative interviews. Based on this information, hypotheses were developed about how the programme was expected to achieve its results.

Each hypothesis was subsequently assessed against the strength of evidence from the data collection, and conclusions are presented in a table for each tax area: VAT, Excise duties and Direct Tax. While this approach (contribution analysis) does permit an assessment of the strength of the evidence for each hypothesis, it does not allow to establish the *extent* of the impact of the programme activity. The below indicators are therefore based on whether evidence from a wide range of sources confirmed the hypotheses, rather than the relative strength of the impact.

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<sup>10</sup> Leeuw, F. and Vaessen, J. NONIE (Network of Networks for Impact Evaluation) Guidance on Impact Evaluation, 2009, p. 19.



**Strongly confirmed:** Evidence was consistent across multiple data sources and there was confirmation from a wide range of stakeholders that the programme activity had the expected impact.

**Adequately confirmed:** There was evidence from one or more data sources that the programme activity had the expected impact. However, the link was not confirmed by all data sources, while at the same time it was not invalidated either.

**Unconfirmed:** No or little evidence to support the link. Insufficient information from stakeholders to confirm that this programme activity led to the expected impact.

The following sections present a brief outline of the main IT tools for the exchange of information supported by the programme in each tax area and the theories of change for Fiscalis 2013. Using as a basis the hypotheses developed for this purpose during the inception phase, they then build the contribution story around the strongest links within each tax area.

## Fiscalis 2013 contribution in the area of VAT

The following selected IT systems represent the main tools financed by Fiscalis 2013 for the exchange of information in the area of VAT. The focus on the IT systems reflects the fact that they account for the largest share of the programme budget. In addition, joint actions are also taken into account as important programme activities in their own right.

The **Computerized VAT Information Exchange System** (VIES) has been set up to enable the automatic exchange of VAT-related information between Member State tax administrations. Member States are required by Council Regulation 904/2010 to electronically store and to automatically make available to other Member States data on intra-community supplies that are provided on recapitulative statements (EC sales lists)<sup>11</sup>.

The core VIES system was later followed by **Vies-on-the-Web**, which is an extension of VIES that allows traders limited access to information stored on national databases, to confirm that their trading partners have a valid VAT number. This is particularly necessary for economic operators making supplies of goods to a taxable person in another Member State, because the status of the customer as a taxable person is one of the conditions for VAT exemption (where it is the customer who will account for VAT payment).

On January 1<sup>st</sup> 2010 the **VAT Refund** electronic procedure entered into operation after having been developed during the first years of Fiscalis 2013. VAT Refund simplified the refund process by allowing business to directly apply for a VAT refund in their Member State of establishment for VAT incurred in other Member States, and is set out in Council Directive 2008/9/EC. Importantly, VAT Refund shifted the burden of the refund process from businesses to national tax authorities. Some implementation issues were encountered; a workshop took place in June 2010 to address a number of minor problems, such as the rejection of VAT Refund Applications.

Within the area of **VAT, standardized e-Forms** have also been developed and implemented. The purpose of the e-Forms is to ease the process of requesting and receiving information between Member States' administrations.

Apart from the IT systems, Fiscalis 2013 also supported **joint actions** such as project groups and workshops, which were used to bring together Member States, the Commission and businesses. Joint actions in the area of VAT encompassed a range of subjects, including project groups to help clarify details of the implementation of the IT systems, as was the case for the VAT Refund procedure, or seminars to share good practices, such as ways of dealing with missing trader fraud.

**EUROFISC** is a mechanism designed to help Member States combat VAT fraud by enabling the quick and targeted sharing of information. In practice it involves working fields in which officials participate and the exchange of information using the CCN mailbox and an online platform. The network was established by Council Regulation 904/2010.

## Hypotheses developed for the area of VAT

The following sources were used and are referenced in Table 7 Hypotheses for the area of VAT. The hypotheses are based upon a number of sources including the Impact

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<sup>11</sup> COUNCIL REGULATION (EU) No 904/2010 on administrative cooperation and combating fraud in the field of value added tax (recast), sets out that information on intra-community supplies of goods and services should be made automatically available, including their value and the VAT identification numbers of those making the supplies.

Assessment of Fiscalis 2013 from 2006 (IA), the report from the Commission to the Council and the European Parliament on Regulation 1798/2003 from 2009 (COMREP), Europa website (EU) and the Mid-term evaluation of Fiscalis 2013 (MTE). In addition, the hypotheses have been developed drawing on the information gathered through explorative interviews (EXP) in the inception phase of the evaluation.

The data collected demonstrated that the programme achieved its impacts in ways not always covered by the original hypotheses. In these cases, the modified hypothesis has been included in bold in order to reflect the actual mechanism of the programme, along with a brief explanation.

**Table 7 Hypotheses for the area of VAT**

No.	Hypothesis	Assessment link	of Sources
1	Standard reporting forms (in standard format) increase efficiency (COMREP)	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, LU, ), National Coordinator interviews, general survey.</b> Multiple data sources provided evidence that the standard reporting forms increased the efficiency in national administrations when sending or receiving requests, meaning less effort was required to send or respond to requests.
2	National tax authorities will have a reduced administrative burden when they and traders can access VIES-on-the-web to confirm the validity of VAT numbers (EU)	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, NL), general survey.</b> Two data sources clearly demonstrate that VIES-on-the-web reduced the administrative burden for administrations because it allowed traders validate VAT numbers directly without assistance from the administration. As a result, the number of requests from traders to the national administration regarding the validation of VAT numbers was significantly reduced.
3	Member States are more likely to reduce fraud if they can match accurate and complete information exchanged through VIES on cross-border transactions to their national records (EU) (EXP) <sup>12</sup>	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL), National Coordinator interviews and the general survey.</b> The evidence collected shows that VIES supports national administrations in identifying fraud by allowing them to cross-check taxpayer declarations submitted nationally with those submitted elsewhere.
4	Simplified economic procedures resulting from VIES-on-the-web have reduced the burden on taxpayers (EXP).	<b>Adequately confirmed</b>	<b>Case studies (ES, HU, LU)</b> The key benefit for economic operators concerns verifying tax numbers in other Member States: it is no longer necessary to secure verification via trade partners or request tax authorities to validate the number, and hence the process is significantly quicker.

<sup>12</sup> This hypothesis was merged with the hypothesis 'accurate and complete information exchanged through VIES is more likely to allow officials to detect VAT fraud (EXP)'.

No.	Hypothesis	Assessment link	of Sources
5	Increased information exchange reduces the burden on tax administrations (MTE) <b>Modification: Evidence collected showed that it is <i>electronic</i> exchange of information that has reduced the burden on tax administrations, rather than increased information exchange in itself.</b>	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL), National Coordinator interviews and National Coordinators survey</b>  Multiple sources clearly show that the VAT related IT systems (e.g. VIES, VIES-on-the-web) have facilitated tax officials' access to information necessary to monitor VAT transactions and perform other necessary tasks, which would take up more resources if the systems were not in place.
6	Introducing the VAT-refund simplifies procedures for businesses (by centralising the burden of documentation on the Member State in which businesses are established) and helps increase compliance with EU law (MTE)	<b>Unconfirmed</b>	<b>Case studies (LU, HU, NL), interviews with National Coordinators.</b>  Interviewed tax officials from three case studies and one interview estimated that VAT Refund had simplified procedures for economic operators. However it appears to be too early to assess the impact of VAT Refund because of its recent implementation. Additional consultation of economic operators is required to assess the impact of VAT Refund.
7	If VIES ceased to be financed, Member States would not be able to meet their obligations to exchange VAT related information under Regulation 1798/2003 (IA) <b>Modification: If VIES ceased to be financed, Member States would find it more difficult to meet their obligations to exchange VAT related information under Regulation 904/2010<sup>13</sup></b>	<b>Strongly confirmed</b>	<b>Case studies (NL, FI, ES), DG TAXUD interviews</b>  Evidence did show that VIES enabled the administrations to comply with their obligations because it provided them with the possibility to register and make available the information required by the regulation without delay. Many officials could not imagine how the necessary data could be exchanged without VIES and it is difficult to reasonably imagine an alternative solution.

<sup>13</sup> Case studies as well as interviews with key stakeholders underlined that Member States would still be required to meet their obligations – with or without VIES. The new Council Regulation (EU) 904/2010 of 7 October 2010 on administrative cooperation in the field of VAT repeals Council Regulation (EC) 1798/2003 and has been in force since 1 January 2012.

No.	Hypothesis	Assessment link	of Sources
8	Member States which exchange practices on the implementation of EU law increase their understanding of EU law more than those/when they do not exchange practices (MTE) <sup>14</sup>	<b>Strongly confirmed</b>	<b>Case studies (NL, FI, ES), interviews with National Coordinator and National Coordinator survey.</b>  Multiple sources of evidence confirmed that joint actions were a key contributor to the sharing of best practices on the implementation of EU, which subsequently helped increase officials understanding of EU law.
9	When Member States share good administrative practices, implementation of EU law is improved (MTE) <b>Modification: joint actions provide an informal space which allow Member States to better agree on how to commonly apply EU law.</b>	<b>Adequately confirmed</b>	Although there was ample evidence demonstrating that Member States sharing practices and thereby improving their understanding of EU law, there was very limited evidence directly showing that this lead to an improved <i>implementation</i> of EU law. However, based on the body of evidence provided in relation to hypothesis 8, the evaluators provided an assessment of the extent to which the sharing of good practices improved the officials understanding of EU law.
10	Member States are more likely to exchange information spontaneously if they are aware of the benefits of spontaneous exchange of information (e.g. awareness through training of national tax auditors) (COMREP)	<b>Unconfirmed</b>	The evidence collected is inconclusive with regards to this hypothesis. Three case studies provided some, sparse information on awareness of spontaneous exchange information. The Spanish case study showed low awareness of the benefits of exchanging information spontaneously and some officials pointed out that they only received spontaneous information but never shared it. The Finnish case study pointed out, that it was hard to communicate to auditors that spontaneous information is important, not only for them in their work on anti-fraud, but also for other Member States. Finally, the Dutch case study highlighted that the Netherlands receives spontaneous information without sending much, but that the administration provides feedback to the sending country.
11	The development of regular cooperation has increased the extent to which Member States share good practices with other Member States.	<b>Strongly confirmed</b>	<b>Case studies (LU, NL, FI, ES, HU)</b>  The evidence collected shows that continual and regular cooperation between Member States contributed to increased cooperation and increased sharing of good practices.

<sup>14</sup> This hypothesis was merged with the hypothesis "A more uniform application of EU law is more likely to be achieved if good practices are developed in the context of joint actions (MTE)"

No.	Hypothesis	Assessment link	of Sources
12	Member States have shared more experiences/opinions within the VAT area (e.g. regulation and cooperation) than they would have done had Fiscalis 2013 not existed. (EXP)(IA)	Adequately confirmed	<b>Case studies (ES, FI, NL, LU), National Coordinators survey</b> The case studies indicated that there was no alternative to Fiscalis 2013 when it came to providing joint actions which allowed Member States to share opinions and experiences. In the National Coordinators survey 93% of coordinators assessed that if Fiscalis had not existed, the overall level of interaction and cooperation with other Member States' tax/customs administrations would be either lower or significantly lower. However, in Luxembourg IOTA was explicitly mentioned as also having facilitated the sharing of experiences and opinions.
13	MLCs foster networks between tax officials which are useful in the day-to-day work of tax officials (MTE) <b>Modification: Joint actions (including MLCs) are useful for fostering cooperation between tax officials.</b>	Strongly confirmed	<b>Case studies (LU, NL, FI, ES, HU), general survey</b> Multiple data sources show that joint actions were useful for fostering cooperation between officials which had multiple important impacts including the sharing of best practices and ensuring the smooth exchange of information.
14	<b>New hypothesis: MLCs have a good impact on the reduction of fraud in the area of VAT.</b>	Adequately confirmed	<b>Case studies (NL, FI), DG TAXUD interviews</b> Evidence from two case studies as well as interviews showed that MLCs did have a good impact on the reduction of VAT fraud. This is supported by an additional report which considered that MLCs had been a useful tool in the fight against VAT fraud. <sup>15</sup>
15	<b>New hypothesis: The rapid, targeted exchange of information which EUROFISC provides helps to reduce VAT fraud.</b>	Strongly confirmed	<b>Case studies (FI, LU, NL)</b> Evidence from three case studies indicates that EUROFISC was considered the main way to exchange information related to new patterns of fraud, and the rapid exchange of information` facilitated by EUROFISC was particularly helpful to combat VAT carousel fraud.

<sup>15</sup> Report from the Commission to the Council and the European Parliament on the application of Council Regulation (EU) no 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, SWD(2014) 39 final.



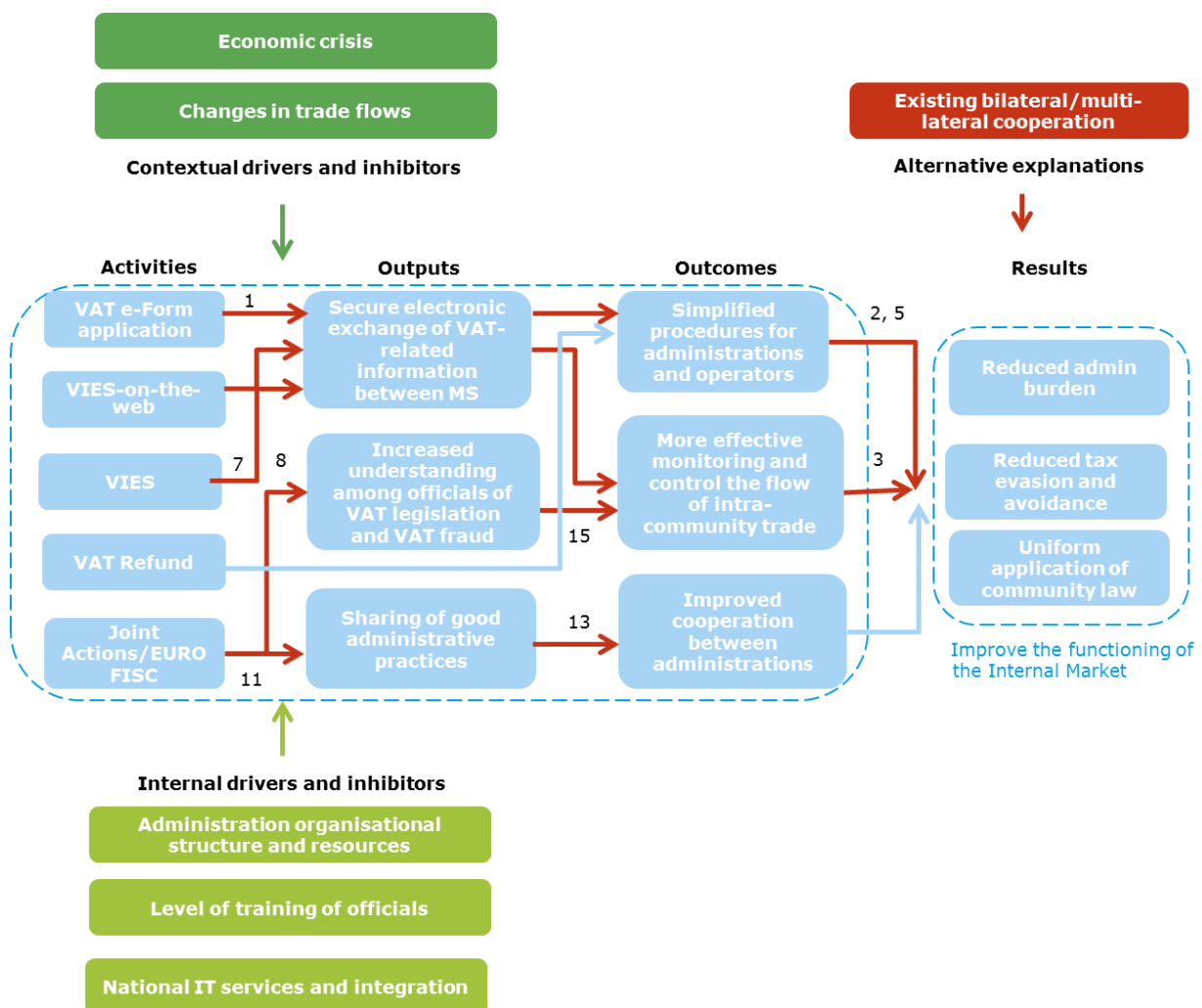
### The embedded theory of change

The below figure presents the theory of change illustrating how Fiscalis 2013 activities were expected to have led to impacts in the area of VAT.

The expected **outputs** of the programme activities were (1) "Secure electronic exchange of VAT-related information between Member State tax administrations", (2) "Increased understanding among officials of implemented VAT legislation and how VAT fraud works", and (3) "Good administrative practices in the fight against VAT fraud developed and shared between officials." The programme outputs were expected to lead to three **outcomes**, namely, (1) "Simplified procedures for national administrations and economic operators and reduction in time for requisite steps", (2) "Member State administrations can more effectively monitor and control the flow of intra-community trade", and (3) "Improved cooperation between administrations, ensuring better application of existing VAT rules". In relation to simplified procedures this outcome was adjusted to include national "administrations rather than just economic operators exclusively.

Finally, these were expected to lead to the **results of the programme** (1) "Reduced administrative burdens on administrations and taxpayers", (2) "Reduced levels of tax avoidance and evasion", and (3) "Uniform, effective and efficient application of community VAT law". Taken as a whole these results should contribute towards improving the functioning of the taxation systems in the internal market.

**Figure 3 Embedded theory of change - VAT**



The hypotheses which were strongly confirmed by the evidence are **highlighted in red**, and are discussed in the narrative below to construct the contribution stories. The links have been numbered so that the hypotheses can be easily identified from Table 7 Hypotheses for the area of VAT.

For each result, **internal drivers and inhibitors** are taken into account. These are factors within the scope of the programme itself, or under control of the programme stakeholders, which help facilitate the use or increase the impacts of the programme (drivers), or which prevent the full impacts of the programme from being realised (inhibitors). In addition, **contextual factors**, external to the programme, which drive or inhibit the use of the programme are identified.

### **Contribution story for Fiscalis 2013 in the area of VAT**

Overall, the evidence showed that Fiscalis 2013 contributed strongly to reduced tax evasion and avoidance. The tools put in place by the programme also reduced the administrative burden for tax administrations, while the findings for economic operators, also due to the methodological set-up and scope of the evaluation, were less certain. In terms of uniform application of EU law, findings were less conclusive; while understanding has been improved across participating countries, there was little proof that Fiscalis contributed to uniform application per se.

In the following, each expected result is discussed more in-depth, analysing to what extent and how Fiscalis 2013 made a plausible contribution to realising the expected results and overall impact on the functioning of the internal market.

#### **Contribution to reduced administrative burdens on administrations and taxpayers**

Fiscalis 2013 supported tools which simplified procedures for tax administrations and taxpayers and helped to eliminate the use of paper. Consequently, the programme was judged to have a positive impact on the reduction of administrative burden in the area of VAT. Evidence suggests that VAT e-Forms and VIES-on-the-web were particularly effective in this respect.

**VAT e-Forms** were used to exchange VAT-related information, on transactions such as cars bought in other Member States, or supplies made by traders to other Member States. Evidence from three case studies shows that VAT e-Forms, always used in conjunction with CCN mail, did help to simplify procedures related to both sending and responding to requests for VAT-related information, thanks to the guidance provided by the pre-set fields.

Interviewed tax officials indicated that consequently sending information using e-Forms required less effort than the free-text templates previously in place and was significantly quicker than the previous paper-based procedure, which all led to a reduction in associated administrative burden.

These findings were supported by evidence from the general survey which showed that 72% of tax officials fully agree that e-Forms made it easier to formulate requests (Annex 1, Figure 42).

Case study visits revealed that administrations had organized themselves in order to deal with information requests as efficiently as possible, depending on the structure of the administration. In Spain, for example the central CLO office would deal with the request if possible; however if an issue was suspected to require further investigation, the request would be forwarded to the regional offices who were best placed to deal with

it. Hungary and Finland appeared to forward requests to the regional tax offices more systematically, as in their respective structures it was considered more efficient to deal with requests at a decentralized level.

With regards to **VIES-on-the-web**, the evidence showed that the possibility for economic operators to validate the VAT numbers of their customers in other Member States did help to reduce the administrative burden on the tax administrations, who would previously perform the validations on behalf of the traders. Consequently, VIES-on-the-web was found to reduce the number of requests to tax administrations and therefore the amount of time spent validating VAT numbers. 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. This finding is supported by evidence from the general survey which shows that 69% of tax officials fully agree that it would take longer to validate a VAT number without VIES-on-the-web (Annex 1, Figure 40). Although no economic operators were consulted directly, tax officials were of the opinion that the application facilitated economic operators' access to information to validate VAT numbers and thus reduced their administrative burden.

**Internal drivers and inhibitors:** The level of training of officials who were using the e-Forms was identified as a factor which influenced their contribution to reducing administrative burden. Although there was a steep initial learning curve, officials quickly became more adept at using the forms and the benefits became apparent upon repeated use. While the pre-set fields helped to remind officials to include all relevant information, there were instances reported where the workload of the responding official could have been increased, because the requesting party would ask for all information proposed in the form, although it was not strictly relevant. The evaluators judge however that such incidences did not cancel out the important simplification in procedures achieved by the e-Forms.

Although the "up-to-datedness" of the Member States' VIES databases was found to weigh significantly on the application's potential effectiveness, there was no evidence to suggest that there were problems in this respect.

**Contextual factors:** In terms of external drivers for use of the programme, some tax officials involved in the exchange of information also noted that the impact of the economic crisis had led to a renewed interest in administrations in ensuring that all potential revenue streams were followed up, thus leading to higher amounts of information exchange between authorities and more requests for information sent using e-Forms.

An increased amount of intra-EU trade, particularly towards the end of the programme period, can probably explain in part the increasing use of VIES and the increasing amount of validation requests to VIES-on-the-web.

#### **Contribution to reduced levels of tax avoidance and evasion**

The programme was shown to be vital to administrations in the fight against fraud, and many interviewed officials could not imagine being without IT tools such as VIES in order to combat tax evasion. Joint actions did contribute to more effective information exchange, and MLCs in particular were found to have a good impact in this area. Although not included in the original hypotheses, EUROFISC was found to make an important contribution to the fight against VAT fraud.

The case studies unanimously showed that **VIES** 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. Specifically, the system provided indispensable information to identify VAT fraud, including data on intra-EU supplies that are provided on

recapitulative statements. This was supported by findings from the general survey in which 75% of officials fully agree that it would be more difficult to fight tax fraud without VIES (Annex 1, Figure 39). According to IT statistics, there was a considerable increase in VIES messages exchanged between 2008 and 2013, which could be partly explained by an increasing amount of intra-EU trade in goods particularly in the second half of the programme period.

**EUROFISC** was regularly identified by tax officials as a useful platform in the fight against VAT fraud, by enabling quicker and more targeted sharing of information between officials. In Finland, Luxembourg and the Netherlands, EUROFISC was considered the main way to exchange information related to new patterns of fraud, and that working field 4 “VAT Observatory” was particularly useful in this respect. Furthermore, the rapid exchange of information between VAT anti-fraud units and the development of common risk analysis models were considered as important tools for the early detection of carousel fraud. Further development of common risk-analysis was considered to be valuable.<sup>16</sup> The evaluators can reasonably conclude that EUROFISC was well-used as a tool for administrative cooperation and made a strong contribution to the fight against VAT fraud.<sup>17</sup>

With regards to **joint actions**, case studies highlighted that targeted events such as seminars and working visits gave national administrations a better understanding of other Member States’ administration and organisational structure. While this exchange was not considered by participants to lead directly to reduced levels of fraud, it did help effective information exchange as it became easier for national administrations to direct requests for information to the appropriate department in the other Member State.

Only a limited amount of evidence from the case studies indicated that **MLCs** were effective tools in the fight against fraud. However, the available evidence did indicate that MLCs were effective in this area. In the Netherlands they were considered useful particularly for the identification of carousel fraud (related to the car sector and copper sector), as well as fraud in internet business transactions relating to services. The added value of MLCs is also recognised in the 2014 report on the application of Council Regulation (EU) no 904/2010, despite the indication that they were being used to a lesser extent in the area of VAT, as compared to other areas.<sup>18</sup> The limited evidence on their use could be explained by the fact that MLC coordinating teams in the case study countries often covered all tax areas, such that the specific impact in the area of VAT could not always be distinguished.

**Internal drivers and inhibitors:** In general, the rapid exchange of information was recognised as vital to enable effective identification of VAT fraud. While the data from VIES was usually considered to be sufficiently timely and accurate to allow initial identification of irregularities, having access to monthly recapitulative information was

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<sup>16</sup> Report from the Commission to the Council and the European Parliament on the application of Council Regulation (EU) no 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, SWD(2014) 39 final.

<sup>17</sup> Ibid.

<sup>18</sup> According to the Report from the Commission to the Council and the European Parliament on the application of Council Regulation (EU) no 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax, SWD(2014) 39 final. The evaluation did not have access to information on MLCs in different tax areas.

considered by tax officials in fraud units to be more useful than quarterly information.<sup>19</sup> In addition, the evaluators found that the system became more useful when Member States had IT systems and procedures in place that allowed them to share timely and complete information through VIES.

In terms of joint actions, language barriers were found to reduce the impact of the tool. For example, in MLCs the level of English of participating auditors hindered both the likelihood to participate in an MLC and the quality of communication between participants. In addition, the ease with which proposals could be generated also seemed to depend on the organisational structure of the administration. For example, in Hungary the role of MLC coordinator and EUROFISC Liaison Officer had been combined which was considered an asset as it would be perfectly possible to propose an MLC on the basis of early warning information provided by EUROFISC.

**Contextual factors:** An increased amount of intra-EU trade was again found to be a driver for VIES, as more data had to be exchanged related to intra-EU supplies made. Differences in national legislation also had an impact on the programme, as the effects of the programme related to joint actions were lessened when tax officials could not exchange the same information due to their different legal restrictions and differences in implementation of EU VAT law.

### **Contribution to uniform, effective and efficient application of community VAT law**

The evaluators assess that the programme made a plausible contribution towards a uniform, effective and efficient application of community VAT law. This was primarily achieved by joint actions which contributed to an increased exchange of best practices on how to implement and apply EU law in the area of VAT. In this respect, Fiscalis 2013 provided the informal space necessary for agreement amongst Member States on how to commonly apply EU VAT law. However, joint actions were found to have a more marked impact on improving the understanding among tax officials of how EU law is implemented.

The case studies confirmed, without exception, that **joint actions** increased the extent to which Member States shared good practices with other Member States, by giving officials opportunities to engage and interact with one another. Examples from case studies were numerous: in the Netherlands the e-auditing project group organised under Fiscalis 2013 was considered to have developed useful guidelines in this area, contributed positively to improving officials' skills, and making them both better and quicker at conducting audits. In Finland, exchanging best practices between its main trading partners has allowed more efficient cooperation between officials.

Findings from the National Coordinators survey showed that 61 % of National Coordinators thought that Fiscalis 2013 contributed to a high degree to the exchange of good administrative practices in taxation (Annex 2, table 8). Additionally, case studies suggested that such cooperation increased the informal exchange of advice and practices.

Importantly, the joint actions allowed Member States to focus on a specific subject such as the design and implementation of a new e-Form, the implementation of a certain IT system (e.g. building scripts for e-auditing software) or the implementation of particular legislation. For example, seminars were identified as an important factor in helping Member States agree on the format of a standardised VAT return form, which had to be in place for the development of the Mini One Stop Shop. The importance of the informal

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<sup>19</sup> Since the Council Directive 2008/117/EC went into force on January 1st 2010, Member States were obliged to collect monthly recapitulative statements related to intra-EU supplies of goods from traders with a turnover over 50,000 EUR or equivalent.

setting provided by the programme to discuss such issues and allow a broader convergence among Member States came out strongly from case studies and interviews.

Moreover, by facilitating the exchange of best practices on implementation of EU law, joint actions contributed to increasing officials' understanding of EU VAT law. Although there was limited evidence from the case studies directly showing that this led to an improved implementation of EU law, case studies showed that joint actions allowed Member States to identify common points and differences between their own interpretation and application of EU VAT legislation and that of other Member States.

This finding was supported by the National Coordinators survey where 60% stated that Fiscalis 2013 improved the officials' understanding of the EU law to a high degree (Annex 2, table 8). In addition, 64% of National Coordinators state that the average tax official's understanding of the EU law would have been significantly lower without Fiscalis 2013 (Annex 2, table 10).

Interviewed National Coordinators also highlighted that sharing practices on how to interpret EU law helped identify anomalies in the interpretation of EU law, and allowed more experienced Member States (e.g. who had been Members of the EU longer) to help other Member States with their implementation of EU law.

**Internal drivers and inhibitors:** There were few influencing factors identified from all the case studies which were judged to affect the exchange of good practices via joint actions. However, there were factors mentioned more sporadically which affected the usefulness of the joint actions: participants felt that it was useful to receive documentation in advance of the meeting, that it was useful to have participants who were in reasonably equivalent positions in the respective administrations and finally that there was clear follow-up on the outcome of the meeting by the Commission.

**Contextual factors:** Differences in national legislation were considered to be an important contextual factor influencing the impact of the programme on how EU VAT law could be applied effectively and efficiently. There were few other contextual factors identified as having an impact on the uniform application of community law.



## Fiscalis 2013 contribution in the area of Excise Duties

The following selected IT systems represent the main tools financed by Fiscalis 2013 for the exchange of information in the area of Excise duties. The focus on the IT systems reflects the fact that they account for the largest share of the programme budget. In addition joint actions are also taken into account as important programme activities in their own right.

**Excise Movement and Control System (EMCS)** is a computerised system for monitoring movements of excise goods under suspension of excise duties within the EU, i.e. for which no excise duties have yet been paid. With the introduction of EMCS from the 1st April 2010 (Milestone a), the paper-based Administrative Accompanying Documents (AADs), and related exchanges of information, were gradually replaced with electronic Information Exchange (IE) messages. The use of electronic Administrative Documents (e-ADs) in EMCS for all duty-suspended movements became mandatory from 01/01/2011 (Milestone b), meaning the paper-based AADs were no longer valid from this date.

The objectives of this system were both to eliminate the weaknesses of the former paper-based system (in the aim of reducing fraud) and to provide all partners with complementary services, in particular to bring real-time information during the excise movement to all actors of the EMCS project community. Since 1st January 2012 (Milestone c), the range of functionalities was expanded to include administrative cooperation, replacing e-Forms and paper-based communication for certain arrangements such as alert or rejection of an e-AD<sup>20</sup>.

**SEED (System for Exchange of Excise Data)** is a European database of economic operators that has been incorporated into EMCS, allowing the excise numbers of the consignor and the consignee to be matched against this European register of economic operators. **SEED-on-Europa** allows traders to consult certain information in the SEED database and determine whether a given excise number is valid. Authorised categories of goods for the operators are also given.

All types of **joint actions** were carried out in the area of excise including project groups to aid the implementation of EMCS, IT training "train-the-trainer" events, seminars and workshops to help harmonise taxation approaches. In addition, E-learning tools were developed to help train both officials and economic operators on EMCS.

### Hypotheses developed for the area of Excise

The below hypotheses have been developed using the Commission staff working document accompanying the report on the implementation of Decision No 1152/2003/EC (REP), the e-training core module (ETR), Europa web pages (EU), Council Regulation 389/2012 on administrative cooperation in the field of excise duties (REG), the mid-term evaluation (MTE) and explorative interviews with the Commission (EXP).

As for the other tax areas, in some cases the data collected demonstrated that the programme achieved its impacts in ways not covered by the original hypotheses. In these cases, the modified hypothesis is included in bold in order to reflect the actual mechanism of the programme, along with a brief explanation. The revised information is included in the narrative of the contribution story itself.

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<sup>20</sup> Rejection of an e-AD occurs when the e-AD cannot be recognised by the national system in the Member State of destination.



**Table 8 Hypotheses in the area of excise**

Hypotheses		Assessment of link	Sources
1	Being able to monitor movements in real-time enables officials to more effectively identify any irregularities in excise movements (REG).	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, NL, LU), TAXUD interviews, secondary data (EMCS survey)</b> All case studies confirmed that the fact that EMCS provided real time monitoring of movements provided closer control of recorded movements. The survey on the functioning of EMCS (henceforth EMCS survey) <sup>21</sup> found that the majority of MS thought that control of cross border duty-suspended movements had improved.
2	Enabling economic operators to validate an excise number using SEED-on-Europa reduces their administrative burden (EU).	<b>Unconfirmed</b>	<b>Case studies (FI, HU), secondary data (EMCS survey)</b> Case study interviewees could only surmise on the effect of this tool on economic operators, as consultation of economic operators was not within the scope of the study. Almost all of the MS respondents in the EMCS survey stated that they considered SEED-on-Europa to be a useful service to their traders. However there was insufficient evidence to confirm the hypothesis on administrative burden.
3	The electronic exchange of the e-AD results in the faster discharge of the movement (EU). <sup>22</sup>	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, NL, LU), TAXUD interviews, secondary data (EMCS survey)</b> There is convincing evidence from multiple sources to indicate that movements were discharged faster under EMCS than the previous paper-based system. This is also supported by quantitative data presented in the staff working document accompanying the report on the functioning of EMCS. <sup>23</sup>
4	Being able to monitor movements in real-time allows officials to reduce the levels of fraud associated with movements under duty suspension (REP).	<b>Adequately confirmed</b>	<b>Case studies (ES, FI, HU, NL, LU), TAXUD interviews, secondary data (EMCS survey)</b> Interviewees from the case studies in general assessed that it was likely that EMCS had led to reduction in fraud, although there was little evidence available in Member States to support this. 10 of 23 respondents indicated that EMCS had led to a reduction in fraud, although the remainder could not be certain. TAXUD interviews indicated that certain fraud patterns had become difficult or disappeared.

<sup>21</sup> European Commission SWD(2013) 490 final.

<sup>22</sup> This hypothesis was merged with hypothesis 7 "The electronic exchange of the e-AD and guarantee document enables economic operators to discharge the movement more quickly (ETR)" as it sufficiently encompassed issues related to discharge of the movement.

<sup>23</sup> European Commission SWD(2013) 490 final.

Hypotheses		Assessment	of Sources	link
5	The verification of consignors/consignees with SEED reduces the numbers of fraudulent movements.	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU), TAXUD interviews</b>	Economic operators using EMCS for duty-suspended movements must be verified in SEED. Although not all interviewees from case studies were able to comment, there was strong evidence to suggest that the use of SEED in conjunction with EMCS did help reduce the number of fraudulent movements within EU.
6	Joint actions are vital in order to ensure the effective national implementation of EMCS (EXP).	<b>Adequately confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL), TAXUD interviews</b>	The evidence from the data sources indicates that the joint actions such as IT training and seminars provided a significant contribution to implementation of EMCS by providing a space for Member States to discuss solutions and come to agreement. However, implementation was done primarily through more formal forums such as the EMCS Computerization Working Party or Excise Committee.
7	An increased understanding of national practices from seminars/workshops in the area of excise results in more effective control of movements (MTE). <b>Modification: joint actions in the area of excise improve cooperation between tax officials.</b>	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL), TAXUD interviews</b>	There was strong evidence to suggest that joint actions helped improve cooperation between tax officials. This supported officials' understanding of practical EMCS issues in other countries, as well as improved working processes (e.g. coordination between customs and excise). However, there was limited evidence to suggest that an increased understanding of other countries' national practices enabled more effective control of movements.
8	Enabling officials to increase their understanding of fraudulent practices and current issues in other Member States will reduce the levels of excise fraud (REP).	<b>Unconfirmed</b>	<b>Case studies (FI, LU, HU)</b>	There was not enough evidence to judge positively on this link, although there were instances identified of information being used and leading to more effective control (HU), while having a good knowledge of fraud tactics and latest developments was considered to be a useful output in general. There was however no concrete evidence to indicate that it directly contributed to fraud reduction.
9	Seminars and workshops increase the capacity of participating officials to understand how legislation is implemented in other Member State (MTE).	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL)</b>	There was strong evidence from the case studies to suggest that officials could use seminars and workshops to help understand legislation in other Member States. It was considered beneficial to have a good mix of specialists in the field and lawyers.
10	The sharing of administrative practices to improve the coordination of customs and excise legislation results in reduced levels of tax avoidance and evasion (MTE). <b>Modification: The sharing of administrative practices results in</b>	<b>Adequately confirmed</b>	<b>Case studies (LU, HU, NL), TAXUD interviews</b>	There was little evidence to suggest that the sharing of administrative practices to improve coordination between customs and excise led to reduced levels of fraud. However improved coordination was considered an important objective in itself. e.g. ensuring reference codes of the e-AD are entered into both customs and excise forms.

Hypotheses		Assessment link	Sources
	<b>improved coordination of customs and excise legislation.</b>		
<b>11</b>	Joint actions result in the creation of informal networks that help the exchange of good practice between officials (MTE).	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL), TAXUD interviews</b> Informal networks were considered to be an area where Fiscalis 2013 added real value in the domain of excise. There were instances identified of Member States learning from one another about taxation practices as well as more technical aspects related to the set up and running of EMCS. This was beneficial for ELOs, tax officials as well as IT staff.
<b>13</b>	The development of good administrative practices through MLCs in the area of excise results in the more uniform implementation of the EU excise law (EXP).	<b>Unconfirmed</b>	<b>Case studies (ES, FI, HU)</b> In general, there MLCs were not widely used in the area of excise. However, those MLCs which were conducted (e.g. ensuring traders of certain base oils are registering and entering consignments into EMCS) were considered to have been useful to help ensure that EU rules were uniformly applied in the participating countries.
<b>14</b>	MLCs foster networks between tax officials which expand the administrative cooperation between tax officials (MTE). <b>Modification: MLCs have a good impact on the reduction of fraud in the domain of Excise duties.</b>	<b>Unconfirmed</b>	<b>Case studies (ES, FI, HU)</b> The hypothesis was modified to ensure it was aligned with hypotheses on MLCs in other tax areas. However, due to the lack of interviewees who had knowledge of or had participated in MLCs in the area of excise, there was still insufficient evidence to confirm this hypothesis.

### The embedded theory of change

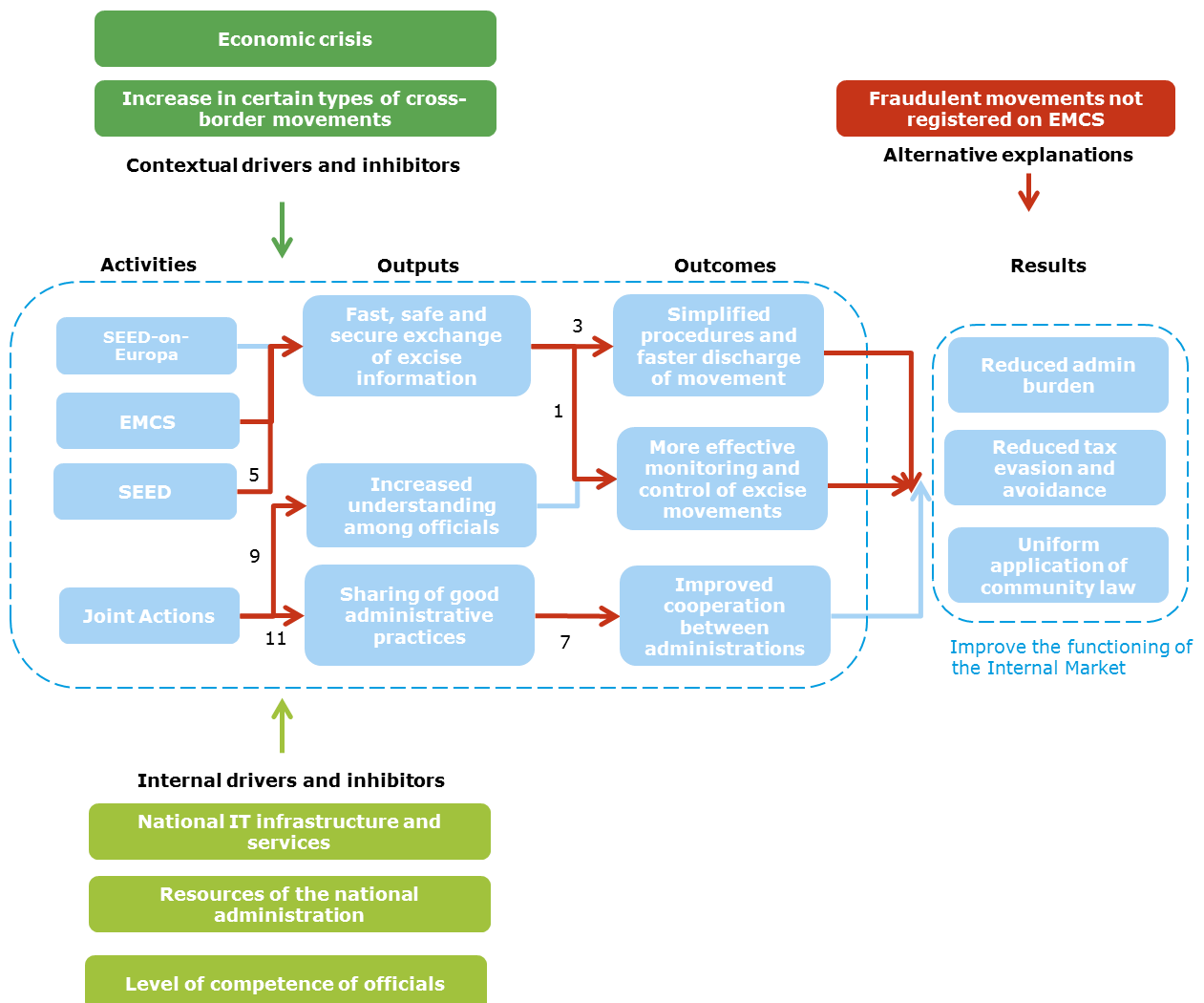
Figure 4 Embedded theory of change - Excise duties presents the theory of change illustrating how Fiscalis 2013 activities were expected to have led to impacts in the area of Excise duties.

The expected **outputs** of the programme activities were (1) "Fast, safe and secure exchange of real-time excise related information between Member States, including the electronic transmission of the e-AD", (2) "Increased understanding among officials of implemented legislation and how excise tax avoidance works", and (3) "Sharing of good administrative practices to improve coordination of excise and customs legislation."

The programme outputs were expected to lead to a number of **outcomes**, including (1) "Simplified procedures for administrations and economic operators and faster discharges of the movement", (2) "Administrations can more effectively monitor flows and improve control of movements under duty suspension", and (3) "Improved cooperation between administrations, ensuring the better application of existing excise rules."

Finally, these were expected to lead to the **results** of the programme including (1) "Reduced burdens on administrations and taxpayers, (2) "Reduced levels of tax avoidance and tax evasion", and (3) "Uniform, effective and efficient application of community excise law." Taken as a whole these objectives contribute towards improving the functioning of the taxation systems in the internal market.

**Figure 4 Embedded theory of change - Excise duties**



As before, the hypotheses which were strongly confirmed by the evidence are **highlighted in red**, and are discussed in the narrative below to construct the contribution stories. The links have been numbered so that the hypotheses can be easily identified from Table 8 Hypotheses in the area of excise.

### **Contribution story for Fiscalis 2013 in the area of Excise duties**

Based on the evidence collected, it can reasonably be concluded that IT systems in the area of excise had a positive impact on the reduction of administrative burden for tax administrations thanks to the simplification of procedures, the faster discharge of the excise movement and the elimination of paper. The evidence shows that IT tools such as EMCS and SEED made excise duties fraud much more difficult and costly to commit. Finally, the programme was considered to have allowed a more uniform application of community law mainly by improving cooperation between participating countries and facilitating the development of common specifications and rules.

In the following, each expected result is discussed more in-depth, analysing to what extent and how Fiscalis 2013 made a plausible contribution to realising the expected results and overall impact on the functioning of the internal market.

### **Contribution to reduced administrative burdens on administrations and taxpayers**

IT systems supported by Fiscalis such as EMCS (used together with SEED) were shown to have had a good impact on the reduction of administrative burden for tax officials. SEED-on-Europa was also considered by national administrations to have been useful for taxpayers in this respect, although economic operators were not consulted directly.

There was widespread evidence to suggest that the introduction of **EMCS** led to duty-suspended excise movements being discharged faster under EMCS, and subsequently reduced administrative burden. Evidence from all case studies showed that the electronic exchange of the administrative document (e-AD) resulted in faster discharge of the movement for both administrations and economic operators, and a faster release of the excise duty guarantee. Data from the survey of the functioning of EMCS conducted in 2013 (henceforth EMCS survey) shows that the majority of Member States considered the EMCS to have resulted in simplification of procedures so far.<sup>24</sup> This was primarily because officials could more easily track a movement to check whether the goods have arrived and the excise duty paid. Secondly, officials found it easier to submit reports and receipts as this now could be done electronically, thus eliminating burdensome paper. One tax official emphasised that no longer having to provide economic operators with a stamp on the previous paper document reduced the amount of human resources and the time needed for the procedure.

Similar responses to the EMCS survey were received from traders, with 59% stating that EMCS led to a simplification of procedures so far, mentioning that there was no paper work; the elimination of loss of documents; and faster release of guarantee for the movements, all which saved costs and time.

**SEED-on-Europa** was predominantly designed for economic operators to check the validity of an excise number of a trading partner. The limited evidence available shows that it was generally considered to be a useful system, as evidenced in the EMCS survey, where 19 out of 20 Member States stated that it was indeed a useful tool for their traders. Evidence from the case studies show that it was particularly used by operators to validate the excise number of a trading partner before any movement

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<sup>24</sup> European Commission SWD(2013) 490 final

begins, although there was insufficient evidence to draw any further conclusions on the impact of the tool.

**Internal drivers and inhibitors:** the use of EMCS was associated with a steep learning curve, meaning that the benefits of the faster procedures were not initially fully realised, although tax officials quickly became more competent and were able to share their knowledge with colleagues. There were also suggestions that larger businesses found it easier to comply with the requirements of EMCS thanks to higher IT capacity, and therefore could reap the benefits of a reduced administrative burden more quickly than smaller economic operators. Officials in Luxembourg and Finland, for example, reported receiving feedback from smaller businesses who use the system less frequently that the previous paper form was easier for them to fill out, while larger operators found it easier to adjust to EMCS. However, it should be noted that this finding was reported by tax officials only, while economic operators were not consulted directly during the case studies.

**Contextual factors:** The economic crisis had an impact on all administrations as tighter budgets meant that national administrations or customs departments had fewer resources available to monitor movements of excise duties. This meant that there was a need to ensure that procedures were as simple and efficient as possible, and the introduction of the EMCS had a welcome impact on the reduction of paperwork associated with excise movements.

#### **Contribution to reduced levels of tax avoidance and evasion**

With regard to the fight against Excise duty fraud, the programme supported IT systems which greatly improved the control of duty-suspended excise movements. EMCS was judged to make the greatest contribution to this result, as it was considered to make fraud more difficult and costly to commit.

All data sources indicated that being able to monitor movements in real-time under **EMCS** enabled officials to more effectively identify any irregularities in excise movements. The fact that administrations were informed in advance of the movement allowed them to have control of the validation of the movement and therefore to ensure that less irregular movements occurred. This finding was supported by data from the EMCS survey which found that the overwhelming majority of Member States thought that the e-AD had improved control of movements, in comparison with the previous paper form.<sup>25</sup>

As a result of the improved monitoring and control of excise movements there is sufficient evidence to argue that EMCS subsequently reduced excise fraud.<sup>26</sup> Users and managers of EMCS considered that fraudulent movements were certainly more difficult and more expensive to commit than under the previous paper-based system. For example, with the introduction of EMCS it became necessary for both the consignor and the consignee to be colluding for fraud to occur. This view was confirmed by 10 out of 23 Member States participating in the EMCS survey, who considered that EMCS had led to a reduction in fraud although the rest of them stated not to have had enough evidence to judge the impact of EMCS on tax fraud and evasion.

A number of interviewees pointed out that fraudulent movement could still be happening outside of EMCS, for example by using the paper-based duty-paid procedure. Indeed,

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<sup>25</sup> European Commission SWD(2013) 490 final, p. 21.

<sup>26</sup> 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.

they claimed to have observed an increase in paper-based movements in the aftermath of the EMCS, which could, all things equal, indicate some fraudulent activity (i.e. finding new patterns to avoid the scrutiny of the EMCS). However, more time will be needed to properly assess the changes in, and the impact of, the movements occurring outside of EMCS.

Overall, when used in conjunction with EMCS, the **System for Exchange of Excise Data (SEED)** was assessed to have had a positive impact on the reduction of fraud in the area of excise. The fact that SEED verification was built into EMCS was considered to have had a particularly positive effect on the control of excise movements.<sup>27</sup> The excise number of traders using EMCS must be verified using SEED, to ensure that they are authorised to send and receive excise goods.

Evidence from case studies showed that the integrated verification process helped reduce fraudulent movements significantly, because it ensured that economic operators could quickly verify that trading partners were authorised to purchase the specific products. Importantly, SEED was considered to contribute to the reduction of fraud through prevention rather than through identification of fraud followed by intervention.

**Joint actions** also contributed to the fight against excise fraud. For example, In Finland, workshops were deemed useful to help officials understand some patterns of abuse of the system that were happening in other Member States, such as duplicate e-ADs or particular issues with tobacco smuggling, which ultimately helped Finnish tax officials to be more aware of potential fraudulent movements.

**Internal drivers and inhibitors:** In several case studies the interviewees highlighted the need for data mining/risk analysis tools in order to enable the use of EMCS data to its full extent, and actually help prevent fraudulent movements.<sup>28</sup> This was necessary as EMCS tracked very high numbers of movements of different products which could not possibly all be followed by officials. In Spain, for example, data analysis software could be used to produce various reports, e.g. all movements related to beer, for which duty has not been paid, etc., which ensured that the real time information on movements could actually be used to identify potential irregularities.

Another issue identified by several case studies concerned the lack of integration between EMCS and the export procedures. This was reported to create challenges related to tracking movements ending outside the Member State, thus hampering EMCS's effect of improving the administrations' ability to monitor and control of excise movements and subsequently the ability to reduce fraudulent movements.

In this regard, interviewed TAXUD officials suggested that there was insufficient coordination between customs and excise projects during the development of the technical specifications of EMCS and customs applications, and that this was one area which was being improved (including an on-going project group on coordination between Fiscalis and Customs programmes).

**Contextual factors:** There were few external or contextual factors which affected the use or impact of EMCS or SEED in the area of excise duty fraud. However, there were indications from case studies that increases in certain types of intra-EU movements of

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<sup>27</sup> In Luxembourg, for example, a high number of unauthorised traders were discovered after implementation of EMCS, as only traders registered on SEED could legitimately use EMCS.

<sup>28</sup> This internal factor is included under National IT infrastructure and services in the theory of change illustration.



excisable products, for example alcohol, did mean that the introduction of EMCS was considered useful to help ensure tight control of these movements.<sup>29</sup>

**Contribution to uniform, effective and efficient application of community law.**

The programme made a plausible contribution towards the uniform application of EU law, particularly by facilitating the sharing of best practices between excise officials and the development of common specifications for the IT systems. Informal networks supported these impacts and helped facilitate communication between national administrations.

**Joint actions** had a positive impact on the uniform application of EU law by providing a space where Member States could discuss ways in which to effectively implement legislation related to the IT systems. While the main channels to implement EMCS in the Member States were formal groups such as the EMCS Computerization Working Group, seminars and workshops were considered useful to ensure the “usability” of the IT systems for each Member State. They provided an informal space for Member States to come together to discuss national issues, problems with specifications and share solutions on how to ensure the smooth functioning of the IT systems.

In this respect, joint actions were considered useful in order for tax officials to learn about how other Member States had implemented the system and potentially introduce changes in their own approach or at least adjust their mutual expectations. Joint actions also contributed to helping officials achieve a better understanding of EMCS specifications. Spanish officials noted that the seminars and training events provided valuable support to officials as they allowed them to become better acquainted with the vast array of technical documentation related to the implementation process of EMCS.

Other training activities to support the national implementation of EMCS included the development of an **e-learning** module as part of a project group, which helped economic operators and tax officials to develop a common initial understanding of EMCS and understand how EU law in this area should be applied. In addition, IT Trainings run by DG TAXUD were held in Brussels in order to help officials hold further training sessions in their own administrations, and thus help promote a more uniform understanding of how to implement EMCS in a national context.

Informal networks as a result of joint actions were considered by tax officials to be an area where Fiscalis 2013 added real value in the domain of Excise duties. There was evidence from the case studies to suggest that these networks facilitated the exchange of good practice between excise officials such as guidance on how to deal with taxation in the area of tobacco. This allowed participating countries to learn from the experience of others who had implemented similar legislation. It is highly probable that such a process of building on the experience of others and sharing best practices helped to ensure that EU law was implemented.

The use of contacts made through the programme was also considered to be beneficial in terms of understanding other EMCS national set-ups, which in turn helped excise officials use the system as efficiently as possible. For example, informal assistance between officials in different Member States could be helpful with understanding why an e-AD might be rejected by one national system. In addition, being able to pick up the phone and ask a question to a colleague was considered useful to subsequently facilitate the more formal channels of administrative cooperation.

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<sup>29</sup> Since 2011 it became obligatory for traders to use EMCS for all duty-suspended movements; administrations were likely to have been comparing the current system with the previous paper-based system.

In 2012 (Phase 3), the range of functionalities of **EMCS** was expanded to include administrative cooperation, replacing the MVS and EWSE systems<sup>30</sup> for certain arrangements such as an alert or rejection of an e-AD. According to the EMCS survey, 16 out of 23 Member States (70%) stated that administrative cooperation worked better in EMCS Phase 3 than when using the previous systems. Evidence from interviewed officials shows that improved administrative cooperation between excise officials in this area helped to ensure the smooth functioning of EMCS and ensure that movements were dealt with appropriately, thus ensuring the better application of the rules.

**Internal drivers and inhibitors:** the selection of participants was considered by some excise officials to be important in terms of ensuring useful output from the joint actions. Having participants in similar functions in their respective Member States was considered to enable a more productive discussion.

**Contextual factors:** The economic crisis had an impact on the resources of national administrations and thus on the availability of staff to participate in Fiscalis joint actions. As a result, national administrations had to prioritise what actions they became involved in. There were no other contextual factors identified which affected the programme's impact on the uniform application of EU law.

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<sup>30</sup> A potentially high risk movement could be communicated to other Member States using the Early Warning System for Excise (EWSE); after the introduction of EMCS the Movements Verification System (MVS) served as an administrative tool for the verification of movements of Excise goods after their release for consumption, but is in the process of being phased out.

## Fiscalis 2013 contribution in the area of Direct Taxation

As in the previous tax areas, the following selected IT systems represent the main tools financed by Fiscalis 2013 for the exchange of information in the area of Direct Tax. Again, the selection focuses on IT tools, although joint actions are also taken into account.

Activities supported by Fiscalis 2013 in the area of Direct Taxation increased over the programme period, leading to some important results. One of the joint actions led to establishing the **e-Form application for Direct Taxation (e-FDT)** intended to simplify the exchange of requests for information through the use of pre-set fields. The forms are exchanged using CCN mail, directly between the competent authorities, and deal with all kinds of requests for information related to individuals and businesses.

In order to improve information exchange on income sources of taxpayers, the Taxation on Savings Directive<sup>31</sup> set out requirements for **automatic exchange of information** on the interest on savings to non-resident individuals. The provisions apply to "paying agents"<sup>32</sup> who pay interest to individuals who are resident in another Member State. Information that must be reported by the paying agent to the administration of the Member State where it is established includes the identity and address of the individual, the account number and information concerning the interest payment.

At least once a year, the competent authority of the Member State of the paying agent must communicate this information to the Member State where the individual is resident, in order to ensure that these revenue sources are taken into account as part of the taxable base of the individual. Fiscalis 2013 supported the development of the **common XML schema** to permit this information to be exchanged and recognised by all Member States. The information is exchanged between the competent authorities in XML format, and the file itself is sent via CCN mail, using the Direct Tax secure mailbox.

A **Tax Identification Number (TIN)** exists in some Member States in order to facilitate identification of a taxpayer. However, not all Member States have implemented a TIN and there are variations in the structure.<sup>33</sup> The TIN-on-the-web module was designed to allow users such as paying agents to confirm whether the structure of a national Tax Identification Number is valid in the Member States which have implemented a TIN. It does not however confirm that the number actually exists or the identity of the person linked to that number.

In terms of **joint actions**, figures from the ART reporting tool show that there was an increase in number of activities related to Direct Tax over the programme period<sup>34</sup>. These covered a wide range of topics including the development of technical specification for IT tools, as well as the discussion of best practices in the taxation of certain sectors (e.g. the grey economy in the construction sector).

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<sup>31</sup> COUNCIL DIRECTIVE 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments. There are also plans for the automatic exchange of information from January 2015 onwards under the following categories of taxes: employment, directors' fees, life insurance, pensions and property.

<sup>32</sup> A "paying agent" can be any economic operator (typically banks) who pays interest to an individual, known as a "beneficial owner", resident in another Member State.

<sup>33</sup> [http://ec.europa.eu/taxation\\_customs/tin/tinByCountry.html](http://ec.europa.eu/taxation_customs/tin/tinByCountry.html)

<sup>34</sup> ART2 event overview, figures updated 05/11/2013.

### **Hypotheses developed for the area of Direct Tax**

The following sources have been used to develop hypotheses for the programme contribution in the area of Direct Tax, which are listed in Table 9 Hypotheses for the area of Direct Taxation: Council Directive 2011/16/EU on administrative cooperation in the field of taxation (DIR), Europa website (EU) Consultation paper "Use of an EU Tax Identification Number" (EU TIN), mid-term evaluation (MTE), Multilateral control management guide (MLC GUIDE). In addition, the hypotheses have been developed drawing on the information gathered through explorative interviews (EXP) in the inception phase of the evaluation.

**Table 9 Hypotheses for the area of Direct Taxation**

	<b>Hypothesis</b>	<b>Assessment of link</b>	<b>Sources</b>
<b>1</b>	Information exchanged automatically on interest paid on savings allows tax officials to more effectively calculate tax liabilities (DIR).	<b>Adequately confirmed</b>	<b>Case studies (HU, NL, ES).</b> Three case studies provided evidence that the automatic exchange of information did help with correct tax assessment, provided the information was timely and correct.
<b>2</b>	Using TIN-on-the-web to validate the structure of a TIN allows officials to more easily identify a taxpayer when automatically exchanging information (EU, EU TIN), reducing administrative burden. <sup>35</sup> <b>Modification: TIN-on-the-web reduces the administrative burden for users (e.g. paying agents) associated with validating the structure of a TIN.</b>	<b>Unconfirmed</b>	<b>Case studies (ES, NL, HU, LU).</b> TIN-on-the-web was reportedly more regularly used by paying agents, in order to establish the identity of taxpayers, in the context of the Savings Directive. Therefore further consultation of economic operators is required to assess the impact of the tool.
<b>3</b>	Direct Taxation e-Forms allow faster and more efficient exchange of information (MTE, EXP). <sup>36</sup>	<b>Strongly confirmed</b>	<b>Case studies (ES, HU, FI, LU), TAXUD interviews, general survey.</b> Evidence from multiple sources suggests that the use of e-Forms did result in faster and more efficient exchange of information thanks to the guidance from the pre-defined fields and elimination of paper exchanges. The benefits of using CCN mail to exchange the e-Form quickly and securely were also highlighted.
<b>4</b>	An increased understanding of implemented legislation from seminars/workshops ( <b>modification: joint actions</b> ) in the area of Direct Taxation allows officials to more	<b>Unconfirmed</b>	<b>Case studies (FI, ES).</b> There was only limited evidence from two case studies to suggest that this was the case. The hypothesis was modified to include all joint actions, as these were all available for use in the domain of Direct Tax.

<sup>35</sup> This hypothesis was merged with hypothesis 5 from the inception phase "The simplified procedures to validate the structure of a TIN number decreases burdens on operators/administrations (EU TIN)" as they covered similar aspects of administrative burden.

<sup>36</sup> This hypothesis has been merged with hypothesis 4 and 6 from the inception phase, as they covered similar topics related to the efficiency of e-Forms.

Hypothesis		Assessment of link	Sources
	effectively assess the correct tax liability (MS).		
5	Seminars and workshops ( <b>modification: joint actions</b> ) increase the capacity of participating officials to understand how legislation is implemented in other Member States (MTE).	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU), NC survey, general survey.</b> There was consistent evidence to suggest that this was the case. However, it is worth noting that an understanding of implemented legislation was often equated with an understanding of the practices and procedures of other Member States. The hypothesis was modified to include all joint actions.
6	An increased understanding of other Member State practices and procedures allows officials to more effectively assess the correct tax liability (EXP).	<b>Unconfirmed</b>	<b>Case studies (ES, HU, FI).</b> There were only limited instances identified from three case studies where this was the case.
7	MLCs allow officials to share knowledge on audit practices with officials from other participating countries (MLC GUIDE).	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL).</b> All the case studies indicate that MLCs were widely considered to provide a strong platform for the exchange of audit practices, for example on national audit procedures or advice on how to search for specific information.
8	MLCs foster networks between tax officials which are useful to help officials calculate the correct tax liability (MTE). <b>Modification: MLCs have a good impact on the reduction of fraud in the domain of Direct Tax.</b>	<b>Strongly confirmed</b>	<b>Case studies (ES, FI, HU, LU, NL).</b> Evidence from all case studies allows a reasonably robust conclusion that MLCs did help to identify more tax as well as reduce fraud thanks to fraud prevention because of the MLC and an impact on taxpayer compliance.
9	MLCs increase revenue collection in the field of Direct Taxation (MTE).	<b>Strongly confirmed</b>	<b>Case studies (FI, ES, NL, HU), TAXUD interviews.</b> Although figures were rarely available, four case studies indicate that MLCs did lead to increased revenue collection. However this was not considered to be the sole objective of MLCs and other impacts such as fraud prevention were also highlighted.

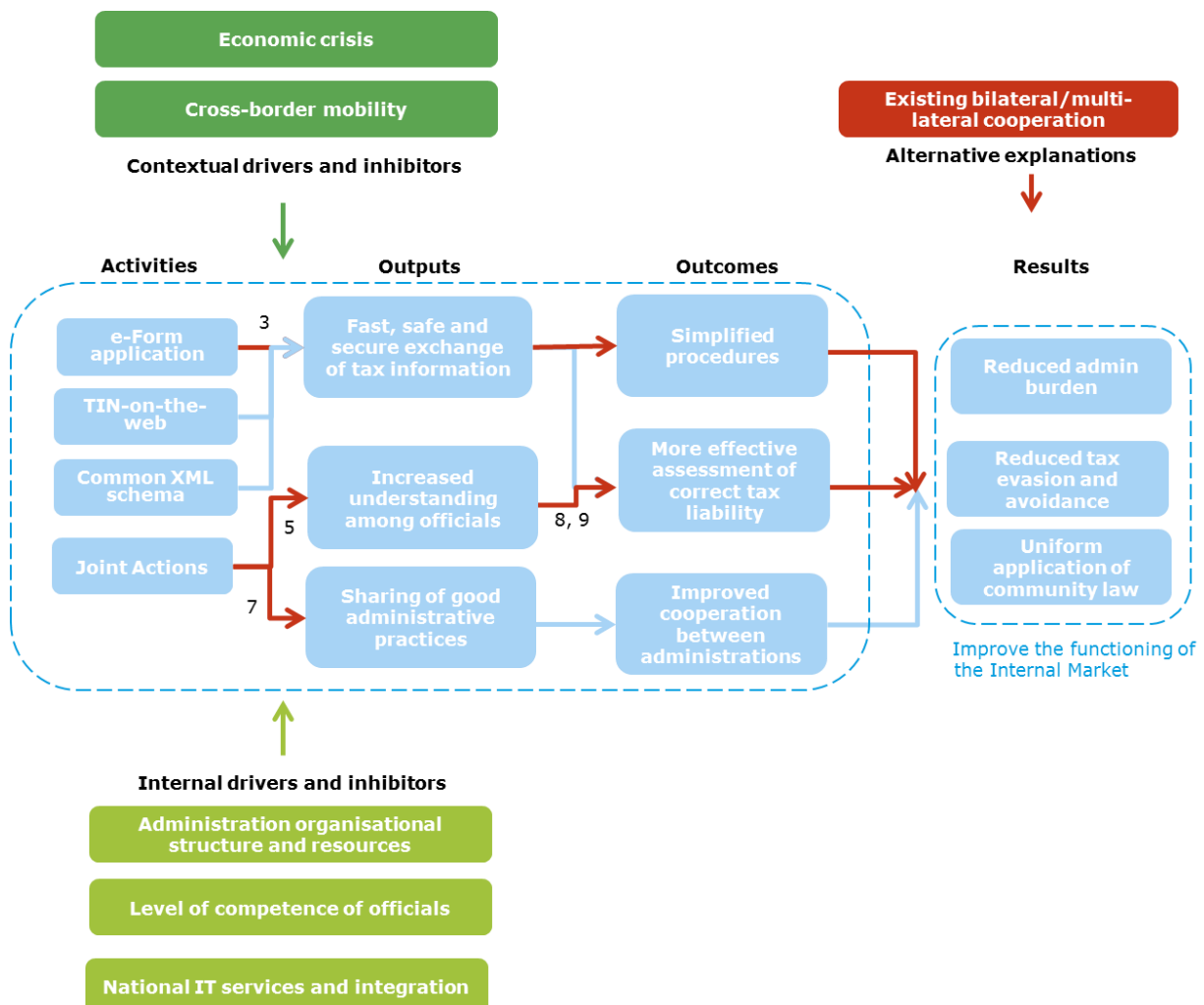
### The embedded theory of change

The below figure presents the theory of change illustrating how Fiscalis 2013 activities were expected to have led to impacts in the area of Direct Taxation. The expected **outputs** of the programme activities were (1) "securing efficient, effective and extensive information exchange and administrative cooperation in the area of Direct Taxation", (2) "Enabling officials to achieve a high standard of understanding of Community law and its implementation in Member States", and (3) "Sharing, development and dissemination of good administrative practices."

The programme outputs were expected to lead to a number of **outcomes**, including (1) "Simplified procedures for stakeholders to validate the structure of the TIN", (2) "Member State tax administrations can more effectively assess the tax liability", (3) "Improved cooperation between tax administrations, ensuring better application of existing rules". In relation to simplified procedures a new outcome was identified during data collection, i.e. (4) "Simplified procedures for Member States to cooperate on the exchange of information."

Finally, these lead to the **results** of the programme including (1) "Reduced administrative burdens on administrations and taxpayers", (2) "Reduced levels of tax avoidance and evasion", and (3) "Uniform, effective and efficient application of community taxation law". Taken as a whole these results contribute towards improving the functioning of the taxation systems in the internal market.

**Figure 5 Embedded theory of change - Direct Taxation**



As before, the hypotheses which were strongly confirmed by the evidence are **highlighted in red**, and are discussed in the narrative below to construct the contribution stories. The links have been numbered so that the hypotheses can be easily identified from Table 9 Hypotheses for the area of Direct Taxation

### **Contribution story for Fiscalis 2013 in the area of Direct Tax**

In the area of Direct Tax it can be reasonably concluded that the Fiscalis 2013 programme contributed to improving the functioning of the single market in two most important ways: by helping reduce the fraud and tax avoidance, and by helping to ease the administrative burden on administrations. There was less evidence to suggest that the programme contributed strongly towards a uniform application of community law, although it had a good impact on improving administrative cooperation related to Direct Tax.

#### **Contribution to reduced administrative burdens on administrations and taxpayers**

The strongest contributions made by the programme to reducing administrative burden were judged to come from the e-Form application (e-FDT), thanks to its impact on reducing the effort associated with administrative cooperation. Further consultation of economic operators is necessary to fully assess the impact of TIN-on-the-web on administrative burden.

Evidence from four case studies revealed that the **e-Form application (e-FDT)**, used in conjunction with CCN mail, resulted in faster and more efficient exchange of information between competent authorities, thanks to the guidance provided by the pre-set fields, reduced effort required to formulate and respond to requests as well as the replacement of earlier paper-based procedures using postal services.

Interviewed tax officials noted that the greatest benefits of the e-Form came when the request could be fitted into the pre-set fields, although for more complex cases, the free-text fields still had to be used for further description.

Taking these factors into account, there is reasonably robust evidence to suggest that e-Forms reduced the administrative burden associated with administrative cooperation between tax administrations.

This finding is supported by the general survey which showed that over 80% of tax officials who responded to the question agreed that Direct Tax e-Forms made it easier to formulate requests for information.<sup>37</sup> The significant benefits of being able to automatically translate text between the official EU languages were also underlined by the DG TAXUD Direct Tax policy unit as well as tax officials during the case studies.

There was insufficient evidence to confirm whether **TIN-on-the-web** reduced the administrative burden for tax officials. The evaluation revealed that TIN-on-the-web was probably underused, at least by the tax administrations. The reasons for this are multiple, but all seem to lead to the overall impression that the system had not yet reached its potential. In the Netherlands, for example, what was offered by TIN had long been available through national applications, while in other Member States, the paying agents did not always provide the TIN information as there were other ways and practices of identifying taxpayers than through the tax identification number. As interviewees revealed that the main users of TIN-on-the-web were paying agents,

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<sup>37</sup> See Annex 1 Figure 43.



further consultation of these users is required in order to fully assess its intended impact.

**Internal drivers and inhibitors:** Factors that strengthened the usefulness of the e-Forms included the organisational structure of the administration, e.g. decentralization of the competent authority to regional levels, which reduced the risk of duplicated effort associated with sending requests via the CLO. A steep initial learning curve for users was identified, with increasing benefits as officials became more competent and more familiar with the application. The use of workflow software to help manage incoming and outgoing requests was also identified in a number of case study countries as a useful way to help maximise the efficiency gains, as it allowed better integration with national information and relevant documents to be easily attached. Spain, for example noted that responding to requests for information was further facilitated, as the necessary information about the relevant taxpayer could be easily accessed via their workflow system and then used to fill the e-Form fields automatically.

**Contextual factors:** Over the programme period, there were an increasing number of exchanges of information between administrations and increased use of the e-Form, as evidenced in the monitoring data on CCN mailbox usage over the period. This increase could have been caused by an array of factors, including the economic crisis in Europe, which resulted in an intensified focus on correct tax assessment.

#### **Contribution to reduction of fraud and tax avoidance**

With regard to tax fraud and avoidance, the programme helped tax authorities to better assess tax liabilities (mainly through the automatic exchange of information, e-Forms and cooperation through MLCs).

Three case studies provided evidence that the **automatic exchange of information** related to the Savings Directive using the common XML schema did support correct tax assessment, provided the information was timely and correct. In Spain, for example, the information exchanged had led directly to revised tax assessments and thus collection of the due revenue. The exchange of information was considered to contribute as well to the prevention of fraud and undeclared streams of income, as taxpayers became aware that the administration was sharing information internationally.

When it comes to the **Direct Tax e-Forms**, the interviewed users of the forms were actually reluctant to link information exchange directly with improved revenue collection, focusing rather on the importance of exchanging quality information within deadlines. Still, the survey to tax officials showed that 76% of respondents agreed that the use of Direct Tax e-Forms did improve the revenue collection. It is particularly true for the Recovery e-Forms, considered by the users as very useful to improve revenue collection (which is not surprising as they were designed to help with the recovery of international debts owed).

Positive impact on more effective tax assessment and revenue collection resulted as well from the **MLCs**. While the details and figures from the specific MLCs related to due tax identified and/or recovered were not accessible, the highly positive qualitative assessment of the key interviewees in case studies leads to a reasonably sound conclusion on the overall significance of the MLCs' contribution. Moreover, MLC coordinators, tax officials and the Commission staff all emphasised that the value of MLCs went further than the revenues identified and/or recovered, and that participation in an MLC was not a "zero-sum game", with success judged solely on the amount of revenues collected. Prevention of fraud was also noted as an important impact, as well as information shared on new patterns of fraud. MLC coordinators also noted the impact of MLCs in terms of the compliance effect on the taxpayers when they became aware that administrations were cooperating internationally.

**Internal drivers and inhibitors:** The set-up of national IT services was considered to affect the exchange of information using the common XML schema. Close communication between the administration's IT services and the competent office for exchanging information was considered important in order to be able to respond to technical problems with the tool, and ensure that necessary modifications could be made quickly.

Similar to other tax areas, the level of activity of the MLC coordinator was seen as having an important influence on how the tool was promoted internally within the administration. In some Member States, the structure and hierarchy of the administration affected how easy it was for MLCs to be initiated. In Finland, for example, the MLC coordination team provided close support to auditors in order to encourage them to write good quality MLC proposals.

**Contextual factors:** The economic crisis in Europe was the only contextual factor identified, and appeared to be a driver for increased use of the tools supported by the programme. For example, in Spain there was reported to be a growing focus on ensuring revenues related to small businesses were properly assessed and collected, resulting in increased use of e-Forms.

#### **Contribution to uniform, effective and efficient application of community law**

There was little conclusive evidence collected to suggest that the programme made a strong contribution to the uniform application of EU law in the area of Direct Tax. However, joint actions were considered to have made a strong contribution to improving cooperation between tax officials and facilitating information exchange.

The **joint actions** were judged to have had the most significant positive influence on improved administrative cooperation between the tax administrations, by permitting officials to have an increased understanding of other Member State practices and procedures. For example, officials mentioned how an understanding of the tax landscape in another Member State meant that they could more quickly see the relevance of a specific request for information and understand how to respond to it. This also applied to the sending of requests – knowing about how information was collected in other Member States allowed officials to ask for the right type of information in the right way.

There was also ample evidence to suggest that joint actions did increase the capacity of participating officials to understand how legislation was implemented in other Member States. Interviewees in Hungary, for example, particularly appreciated the output of country profile project group, which produced a suite of documents that described the Direct Tax legislation in force in each Member State. Face-to-face contact during joint action meetings and exposure to an international environment was highly valued by a wide range of stakeholders. This could include for example events related to taxation of specific sectors of the economy. The increased understanding of the international tax landscape was underlined as valuable in the context of administrative cooperation and information exchange, but it was not considered to contribute strongly to the objective of uniform application of EU taxation law.

Joint actions were indicated to be important to ensure that certain IT tools developed at a common EU level were suitable in a national context. For example, several officials mentioned that workshops designed to help Member States develop the e-Form application were vital in order to allow the tax officials to share experiences and come to a common understanding of what was required by the tool in order to ensure that ultimately the e-Form application could be implemented.

**Internal drivers and inhibitors:** It was suggested by several interviewees that ensuring participants in joint action were in equivalent positions or with sufficient expertise in the subject helped contribute to productive discussion at seminars, workshops and other joint actions. The selection of topics was also highlighted as an

important consideration, as interviewees indicated that carefully chosen, specific topics often produced more useful output from seminars and workshops. Interviewees mentioned the value of having a document or concrete output to ensure the outcome of an event was properly captured and followed up afterwards in the national context.

**Contextual factors:** In some case study countries, close existing bilateral cooperation was identified between administrations (for example regular cooperation between Finland and Estonia related to taxation in the construction sector), meaning that Fiscalis was not the only programme active in this area and that other forms of cooperation were in place. The outcome of improved cooperation between administrations is therefore a result of both Fiscalis 2013 activities and other initiatives. However, it was clear from case studies that despite officials having other channels through which they could develop their understanding of the tax landscape in other Member States, these were complementary to the programme and did not replace Fiscalis 2013 activities.

## 4. Findings on the main evaluation questions

In the following sections, findings related to the main evaluation questions are analysed and answered. The presentation follows the evaluation matrix (see Annex 4), and where the assessment method diverts or has been changed, this has been clearly indicated. Consequently, the presentation follows the evaluation questions and sub-questions as elaborated in the evaluation matrix, starting out with an analysis of Fiscalis 2013's contribution to development of a pan-European electronic tax environment.

### The development of a pan-European electronic tax environment

In this section the evaluation aims to answer questions which relate to the effectiveness, efficiency, sustainability and impact of the Trans-European IT systems which have been developed and supported by Fiscalis 2013.

The overall question to answer is whether the development of interoperable communication and information exchange systems, helped the tax authorities to:

- better protect the Union's and Member States' financial interests...
- ... while decreasing the administrative burden on taxable persons...
- ... and avoiding distortions of competition;
- Implement the EU tax law in an effective, efficient and uniform fashion?

To answer these questions in detail, the evaluation has developed a set of sub-questions, covering different aspects of the electronic tax environment. Findings and conclusions are presented according to these sub-questions.

### Activities, outputs and usage of interoperable communication and information exchange systems supported by Fiscalis 2013

Fiscalis 2013 supported a number of Trans-European IT systems that enable the electronic exchange of tax-related information between Member States. As mentioned in the introduction to the evaluation report, approximately 75% of the budget was allocated to the communication and information-exchange systems, designed to underpin cooperation in the field of tax between the Member States. As the costs of operation and support are common across all fiscal systems, it was not possible to break down costs of the IT systems per tax area or specific system (for a more complete analysis of budget allocation to Trans-European IT systems, please refer to section Efficiency of Fiscalis 2013).

The IT systems allow information to be exchanged rapidly and in a common format that can be recognised by all Member States. This information exchange is enabled by a closed and secure Common Communication Network/Common Systems Interface (CCN/CSI) which was jointly financed by the Fiscalis and the Customs programmes in the period 2008-2013.

As set out in the programme Decision, the programme finances the community components of the communication and information-exchange systems (known as the Common Domain), which include the hardware, software and the network connections. This includes, for example, the operation and maintenance of the CCN network that allows the Trans-European IT systems to function, or the development of the common technical and functional specifications necessary for Member States to connect to, for example, EMCS and VIES.

CCN Mail is the main IT system that enables administrative cooperation between tax administrations, which provides the means for secure, fast communication between competent authorities in each tax administration. Typically, it can be easily integrated into the standard email programme of tax officials and used to exchange emails as well as e-Forms, between the various mailboxes available.

The purpose of each mailbox that uses the CCN network to exchange messages is explained in Table 10 below:

**Table 10 CCN mailbox**

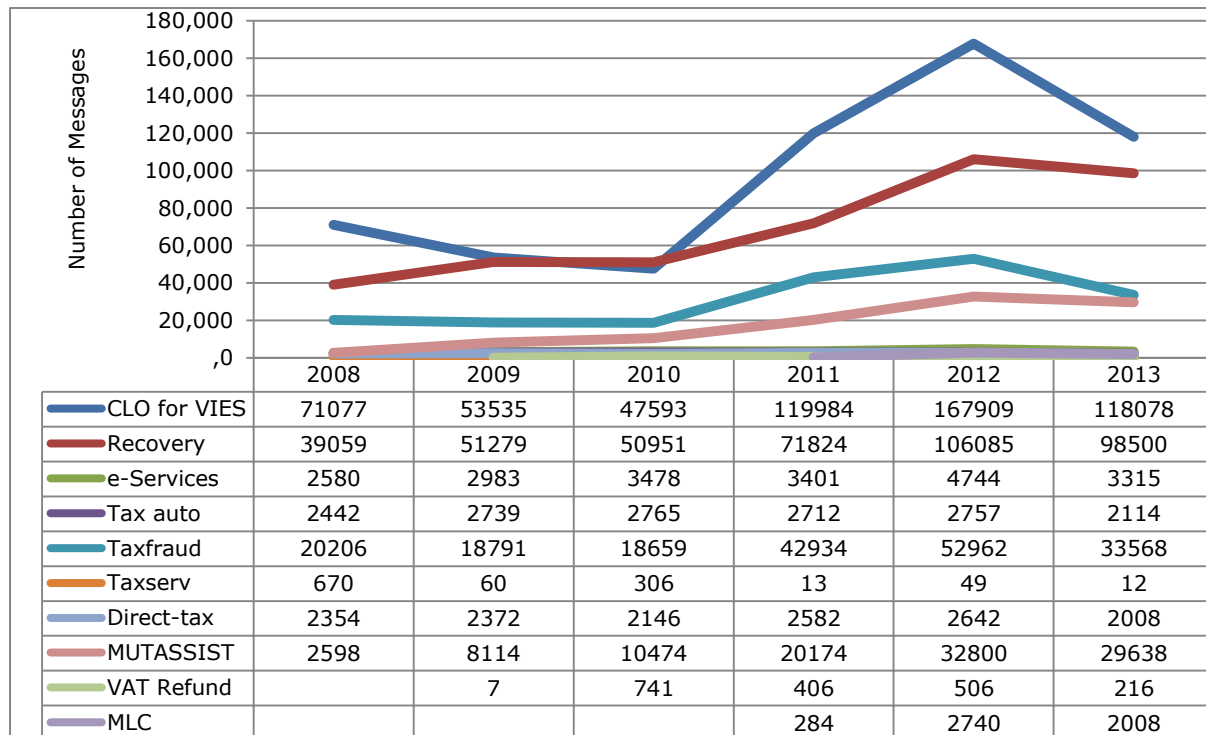
<b>Mailbox</b>	<b>Purpose</b>
CLO FOR VIES	Exchange of VAT e-Forms and related information;
E-SERVICES	Exchange of the information related to VAT on e-Services;
TAXAUTO	Automatic exchanges and Structured Automatic exchanges (Information on non-established traders, new means of transport, distance selling not subject to VAT);
TAXFRAUD	Exchange of e-Forms related to specific cases of suspected fraud. Mailbox used by EUROFISC;
TAXSERV	Exchange of VAT Algorithms and other IT related information;
RECOVERY	Exchange of Recovery e-Forms and related information;
DIRECT-TAX	Exchange of information concerning the Savings Directive;
MUTASSIST	Exchange of Direct Taxation e-Forms and related information;
VREF	Exchange of information related to VAT Refund;
MLC	Exchange of information for Multi-Lateral Controls.

*Source: DG TAXUD R4 Annual Activity Report, 2013, v. 1.04*

The mailboxes intended for the exchange of e-Forms and information related to VAT and Direct tax were increasingly used over the programme period, as illustrated in Table 11 Messages exchanged in CCN mail, by mailbox below. There is no data for some mailboxes which had not been created at the beginning of the programme.

Direct Taxation IT tools such as the e-Form application (e-FDT) were exchanged in the MUTASSIST mailbox. Use of this mailbox increased significantly over the period - approximately 2 600 messages were exchanged in 2008, rising to just under 30 000 messages in 2013.

**Table 11 Messages exchanged in CCN mail, by mailbox**



According to the IT unit in DG TAXUD, one of the drivers for increased usage of CCN mail exchange was the economic crisis, which led to Member States increasingly focusing on ensuring that all revenue sources were being collected properly. The drop in usage in 2013 across all mailboxes could not be explained comprehensively, other than by highlighting the trend towards increased automatic, structured exchange of information on platforms such as VIES or VAT Refund, thus potentially reducing the need for manual, more labour intensive exchanges via CCN mailboxes.<sup>38</sup>

The drop in usage did not appear to be a symptom of a natural programme cycle, as the number of CCN exchanges did not undergo a similar drop towards the end of the previous Fiscalis programme. A possible explanation could be that the peak in 2012 was an 'abnormally' high level, and the numbers in 2013 more a normalisation than anomaly, but this would need to be followed up in the coming years. However, there was no evidence from the case study visits that those involved with administrative cooperation recognised any reasons behind the decreased usage of the mailboxes.

A non-exhaustive list of IT systems or tools related to VAT, Excise and Direct tax currently in operation and which have been supported by Fiscalis 2013 can be seen below in Table 12:<sup>39</sup>

<sup>38</sup> TAXUD R4 Annual Activity Report, 2013, v. 1.00, p. 18.

<sup>39</sup> This is not a comprehensive list of the IT systems and projects that have been funded by Fiscalis 2013. It rather includes the most important systems with regards to the tax areas under focus: VAT, Excise and Direct tax.

**Table 12 VAT, EMCS and Direct Taxation: Main IT systems supported by Fiscalis 2013**

VAT systems	Excise systems	Direct tax systems
VIIES	EMCS	e-Form for Direct Taxation
VIIES-on-the-Web	Movement Verification System (MVS)	Automatic exchange of information under Savings Directive <sup>40</sup>
VAT e-Forms (SCAC)	Early Warning System for Excise (EWSE)	TIN-on-the-web
VAT Refund	System for Exchange of Excise Data (SEED)	
Taxation Information and Communication (TIC)	SEED-on-Europa	
EUROFISC platform <sup>41</sup>		

While many of the IT systems such as VIIES were first developed under previous Fiscalis programmes, there were several systems or functionalities that were introduced during the Fiscalis 2013 period. Notable developments included the addition of EMCS under the Fiscalis 2013 budget from 2009 onwards and the gradual implementation of increased functionality. In addition, the electronic VAT refund procedure was developed, replacing the previous system from the 1<sup>st</sup> January 2010 onwards. The VAT refund system is providing traders with a single point of electronic contact in order to obtain a VAT refund from a Member State in which they are not established.

It is clear from the number of messages exchanged over the IT systems that electronic information exchange via the Trans-European systems increased over the period. According to the DG TAXUD R4 2013 Annual Activity Report<sup>42</sup>, the main contributors to this growth continue to be exchanges on VIIES between Member States and messages through VIIES-on-the-web. The high level of usage of both of these systems over the programme period is illustrated in Figure 6 VIIES and VIIES-on-the-web messages, 2008-13 below.

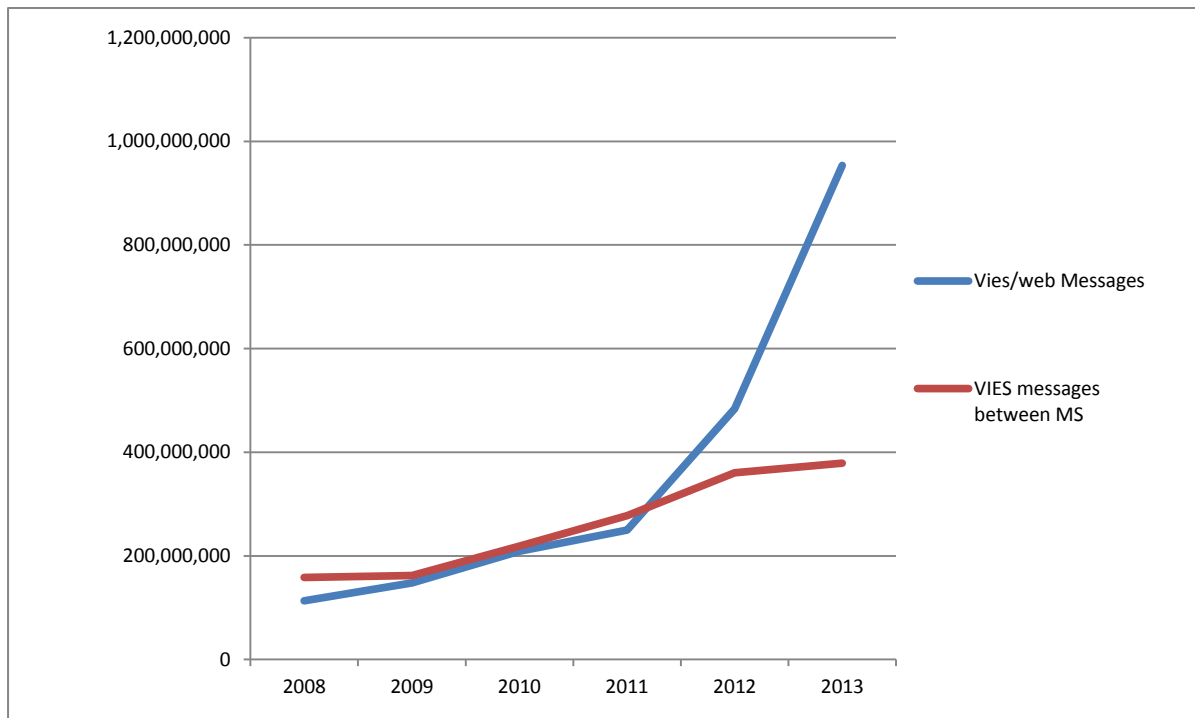
<sup>40</sup> Directive Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. Automatic exchange of this information was implemented from 2005.

<sup>41</sup> EUROFISC is a mechanism designed to help Member States combat VAT Fraud by enabling the quick and targeted sharing of information. In practice it involves working fields in which officials participate and the exchange of information using the CCN mailbox and an online platform. The network was established by Council Regulation 904/2010.

<sup>42</sup> TAXUD R4 Annual Activity Report, 2013, v. 1.00, issued 29/01/2014.



**Figure 6 VIES and VIES-on-the-web messages, 2008-13**



Total VIES messages exchanged, (messages exchanged between Member States and VIES-on-the-web), rose from approximately 270 m in 2008 to 1 332 m in 2013. According to DG TAXUD, this can be explained by both a general increase in intra-EU trade<sup>43</sup> and e-business, and obligations on traders to perform frequent validations to ensure their customers in other Member States are registered taxable persons.

The number of validation requests by traders (included within the total number of VIES-on-the-web exchanges) also increased considerably over the period. In addition to the reasons mentioned above, this can partly be explained by administrations directing traders to use the VIES-on-the-web application, rather than make the request directly with the administration.

Since the first introduction of EMCS in April 2010, operational statistics have been collected automatically by DG TAXUD and made available to Member States using CS/MISE (Movement tracking and statistics service). Table 13 EMCS movements, 1 April 2010 to 1 June 2013 shows the number of movements recorded since this date until Q2 2013. This matches the period covered by the working document accompanying the report on the functioning of EMCS in accordance with Decision No 1152/2003/EC.<sup>44</sup>

<sup>43</sup> Intra and Extra-EU trade by Member State and by product group, Eurostat [ext\_lt\_intratrd].

<sup>44</sup> European Commission SWD(2013) 490 final. COMMISSION STAFF WORKING DOCUMENT presenting the results of the consultations of Member States and stakeholders required by Article 8(3) of Decision No 1152/2003/EC, Article 45(1) of Directive 2008/118/EC, Article 35(1) of Council Regulation (EC) No 2073/2004 and Council Regulation (EU) No 389/2012.

**Table 13 EMCS movements, 1 April 2010 to 1 June 2013**

Description	Movements
Number of movements	7 425 318
Number of movements with registered RoR	7 055 685
Number of movements with reminder sent	1 530 116
Number of cancelled movements	96 275
Number of movements with destination change	52 765
Number of rejected movements	6 581
<b>Total messages exchanged</b>	<b>16 166 740</b>

Source: European Commission SWD(2013) 490 final

In total, between April 2010 and June 2013 more than 16 million messages were exchanged under EMCS. 98.6 % of EMCS recorded movements were completed normally without any changes or cancellation. From 1 January 2011 registration under EMCS became compulsory which resulted in a rapid increase in the number of movements registered.

In terms of usage of the Tran-European IT systems by tax officials, evidence from the evaluation survey to tax officials suggests that there is a large user population - 30% of respondents who participated in Fiscalis 2013 activities in some way reported to have used at least one of the IT systems (Annex 1, Figure 25). According to this information, IT applications are the third most used output from the programme after information generated from programme activities (35%) and reports from programme activities (34%).

Interviews with tax officials and users of the IT systems during the case studies indicated that the systems are frequently used in their everyday work, depending on which department or unit they were in. This includes Central Liaison Offices (CLOs) as well as officials working in the areas of VAT, Excise duties and Direct Taxation.

During the case studies, several initiatives were identified as having the aim to integrate certain IT systems into the daily work of the tax officials and thus ensure effective use of the information. In addition, some initiatives helped to ensure that the resources were in place to use the information to the maximum extent possible, according to priorities set within the administration (see Box 1 Improving usage of the IT systems).

#### **Box 1 Improving usage of the IT systems**

**In Spain**, an IT workflow system (INTER) was used by the tax administration to manage all administrative cooperation requests related to VAT and Direct Taxation. Benefits of this system included facilitation of the filling in of information and ensuring that the e-Forms fitted easily into the daily work of a tax official. In addition, the system integrated VIES information on cross-border transactions with national information. Having one point of access available to all tax officials, ensured that the information could easily be consulted through one interface and used more regularly in daily auditing work.

**In Finland**, a national project group was recently set up with the objective of combating cross-border VAT fraud as quickly as possible, with VIES being identified as a key tool to help achieve this objective. According to a member of the anti-fraud unit, the project group helped to shape priorities and enabled cooperation across units such as anti-fraud and tax collection and was thus identified as a useful way to ensure that resources were

freed up and VIES used to the extent possible. In addition, users from the anti-fraud unit noted that they systematically requested level 2 VIES information,<sup>45</sup> with more detailed information on the value of transactions between traders.

There was anecdotal evidence from the cases studies that the effects of the economic crisis were a driver for the increasing use of the IT systems, reflecting the priority of ensuring collection of revenues. For example, one administration noted how they were dealing with an increasing number of requests for information regarding smaller businesses in order to ensure that the right tax was being paid.

In summary, the evaluation can conclude that the use of the IT systems has increased steadily since the start of Fiscalis 2013 and it was further clear from interviews and case studies that the systems were frequently used in the daily work of tax officials.

The systems have been ingrained in the administration to the extent that often tax officials could not imagine how the work could or would be done without the IT systems (in particular VIES).

A strong contributing factor to the successful use and utility was how the various systems have been integrated into the national IT applications, or whether certain priorities have been set within the national administration.

### **To what extent have the IT systems helped the tax authorities to identify potential risk of tax avoidance, evasion and fraud?**

The rapid exchange of information and automated access to information is recognised as being increasingly important in the fight against fraud,<sup>46</sup> and as such this is a design goal for many of the IT systems. In the field of VAT, VIES was seen as a key tool which permits the exchange of information between Member States related to VAT registered persons and the value of intra-EU supplies of goods and services. Member States could run regular reports to identify any discrepancies between domestic VAT declarations and the value of intra-EU supplies made.<sup>47</sup>

In addition to the information from VIES, more specific requests or pieces of information could be exchanged between tax officials using CCN mail. Monitoring data from DG TAXUD show that these forms of communication related to the detection of fraud were being increasingly used over the programme period, and that a considerable number of messages were exchanged through the CLO for VIES mailbox, designed for the exchange of VAT-related e-Forms (just over 578 000 messages were exchanged between Member States over the programme period 2008-13), and the TAXFRAUD mailbox (approximately 187 000 over the programme period).<sup>48</sup>

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<sup>45</sup> Level two VIES information gives the value of trader to trader supplies, rather than the broader level one information which only contains information on aggregate value of supplies made.

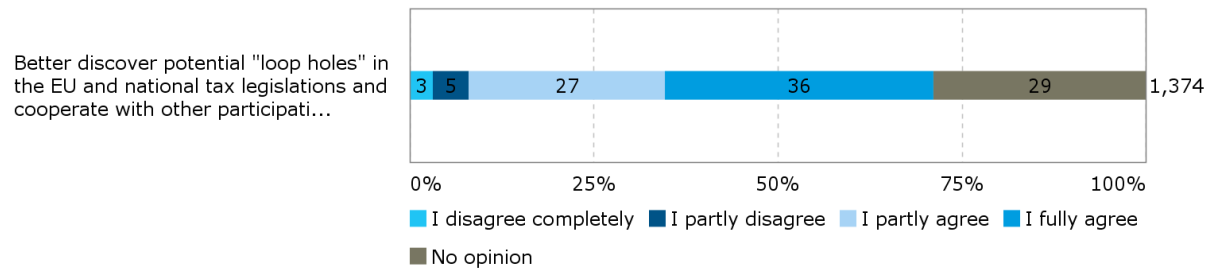
<sup>46</sup> See, for example, paragraph 11 of Council Regulation No 904/2010 on administrative cooperation and combating fraud in the field of value added tax (recast).

<sup>47</sup> Since 1<sup>st</sup> Jan 2010, Member States are obliged to receive monthly recapitulative statements from traders concerning intra-EU supplies of goods, although there is an exemption for low values of supplies made. Council Directive 2008/117/EC of 16 December 2008 amending Directive 2006/112/EC on the common system of value added tax to combat tax evasion connected with intra-EU transactions.

<sup>48</sup> The TAXFRAUD mailbox is for the exchange of e-Forms related to specific cases of suspected fraud. It is also the mailbox used by EUROFISC.

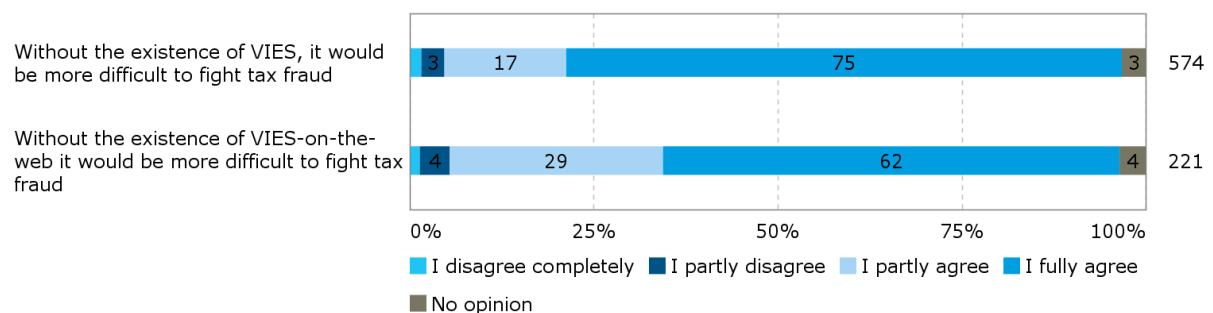
While it is clear from monitoring data that the IT systems were being increasingly used to exchange information related to tax avoidance, evasion and fraud, more importantly, the survey results suggest that national administrations were also able to use this information effectively in the fight against fraud. A total of 63% of the respondents considered that their potential to discover means of evasion in EU and national tax law and their ability to cooperate with other countries in the fight against tax fraud was increased through the programme (Figure 7 Fight against fraud. Participation in Fiscalis 2013 has enabled me to...).

**Figure 7 Fight against fraud. Participation in Fiscalis 2013 has enabled me to...**



More specifically, when asked about the benefits of VIES, 92% of its users agreed or partially agreed that it would be more difficult to fight tax fraud without the system. An equally high number of users considered that VIES-on-the-web had similar benefits, although fewer participants fully agreed with the statement (Figure 8 Impact of VIES and VIES-on-the-web on fraud). According to interviews, information from VIES was considered particularly useful or essential in order to identify those involved in carousel fraud.<sup>49</sup>

**Figure 8 Impact of VIES and VIES-on-the-web on fraud**



Several factors were identified that helped Member States use information on recapitulative statements from VIES effectively in the fight against fraud. For VIES, the use of software was also identified as a way of more effectively cross checking information on the value of intra-community supplies with domestic VAT declarations in

<sup>49</sup> 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.

order to help detect potential fraud. Box 2 below provides more information on the IT systems in Spain.

### Box 2 IT software in Spain

The quality of the national IT systems was frequently cited as a factor that contributed to effective use of the information from VIES. According to interviewees, Spain was one of the first Member States to introduce their own IT system – INTER – to share this type of VIES information on the value of intra-EU transactions. Every tax inspector has access to this internal database, which is integrated with VIES, allowing officials to produce reports such as transactions per country or make specific queries on VAT numbers. This means that information from VIES can be used in a more targeted way to identify potential fraud. INTER allows all the data on national taxpayers to be accessed via one interface, and officials can see the profile of each taxpayer and check what declarations/documents have been submitted, thus enabling any irregularities to be more easily flagged up.

In addition, the use of the risk analysis tool called *Zujar* was highlighted. Taxpayer information on *Zujar*, organized into categories such as transactions, property, etc., can be cross-checked with information on receipts to flag up any difference between the amount of VAT a taxpayer declares and the amount for which he/she is liable, and was highlighted as a means to use the information from VIES to its full effect. According to interviewees, Spain has a high level of electronic submission of taxpayer information, (e.g. VAT declaration) which helped to ensure good quality information thus increasing the ability to identify irregularities more effectively.

The need to access information quickly in the fight against fraud was a common theme across all tax areas, although this was particularly the case in the area of VAT. Having monthly information with recapitulative statements from VIES was highlighted as more useful than quarterly information.

In terms of the response times of the VIES and VIES-on-the-web IT systems, DG TAXUD IT unit indicated that Member States response times for VIES were “entirely satisfactory” and generally within expected time limits. There were no indications from the case studies that response times or system availability were a problem for Member States, and information was generally reported to be accessible with very little delay.

Interviewees from the case studies considered that information from VIES was of sufficient completeness and accuracy in order to provide an initial indication of potential irregularities and fraud. Any irregularities detected using VIES would usually require further investigation and possibly further administrative cooperation. Other platforms such as EUROFISC were developed in response to the need for the quick targeted exchange of information, however the information from VIES was often considered as the starting point necessary to investigate any irregularities further.

EUROFISC is a mechanism designed to help Member States combat VAT fraud by enabling the quick and targeted sharing of information. In practice, it involves working fields (themes) in which officials participate and exchange of information using the CCN mailbox and an online platform. An important objective of EUROFISC is to target carousel fraud, with the objective of earlier detection thanks to the rapid exchange of information between VAT-fraud units and the development of common risk analysis tools.

Evidence from three case studies indicates that EUROFISC was considered as the main channel for exchange of information related to new patterns of fraud, and that working field 4, the VAT Observatory, was particularly useful for identifying new patterns and trends in fraud.

When it comes to e-Forms, 92% of the respondents to the survey to tax officials agreed that the VAT e-Forms helped them to identify risks of tax fraud and evasion (Annex 1 - Figure 42). Although the use of Direct tax e-Forms were not linked directly to a reduction in fraud, they were considered important in order to ensure that the correct tax was paid by the taxpayer.

According to the general part of the survey, 80% of users fully or partly agreed that Direct tax e-Forms helped to calculate the correct tax liability (Annex 1, Figure 43). There were similar findings for recovery e-Forms, albeit with a slightly lower proportion of respondents in agreement: 71% of respondents fully or partly agreed that these forms helped them to calculate the correct tax liability.

In the area of Direct Tax, information related to the Savings Directive that was exchanged automatically via XML files was also considered to help assess the tax liability more effectively in three of the five case study countries, provided the information was timely and accurate. Tax officials working with this information said that it was useful to complete the taxable base using information on income streams from abroad, and that it had led to tax reassessments. Officials in one case study country also mentioned the compliance effect that this had on taxpayers and that due to this type of information exchange, taxpayers are increasingly aware that they should now declare overseas income in their tax returns.

Multilateral controls (MLCs) involve the coordination of auditing of one or more taxpayers between two or more participating countries. Information is shared between auditors in the respective countries. In addition to ensuring the right tax is paid in the right country, MLCs were considered by tax officials to have an important impact on the prevention of fraudulent practices, as well as having a compliance effect on taxpayers when they became aware that administrations were cooperating internationally.

While MLCs were available to all tax areas, the qualitative evidence from case studies suggests that they were most well-used in the areas of VAT and Direct Tax, allowing auditors to follow-up on suspected fraudulent behaviour in a variety of areas. E.g. VAT fraud, e-commerce fraud. They were identified as useful for investigating the increasingly important issue of transfer pricing.

Tax officials considered MLCs to provide superior tax control to regular audits, despite often taking longer to conduct. However, the ability of a country to participate effectively in an MLC depended on the administration's resources and organisational capacity to write proposals, the English language level of auditors and the levels of awareness of the tool itself among auditors.

In the field of Excise, responses from the survey conducted in 2013 by DG TAXUD on the functioning of EMCS<sup>50</sup> suggest that while EMCS was overwhelmingly considered to bring improved control of movements under duty suspension, opinion was divided on its impact on fraud. 10 out of 23 Member States thought that EMCS had led to the *reduction* of tax evasion or tax fraud, with the rest considering that they did not have the evidence

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<sup>50</sup> SWD(2013) 490 final. Commission staff working document accompanying the report 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 Decision No 1152/2003/EC.



to state this.<sup>51</sup> However, evidence from interviews with EMCS users during case studies indicates that the system was certainly considered to improve control of the movements and that having notification of the movement in advance was a significant advantage. When used in conjunction with electronic guarantees of the Excise duty associated with the movement, officials considered this an effective way to help ensure that the tax was duly collected.

Further information from the case study visits suggests that while tax officials using EMCS considered that having real-time information on movements certainly provided better control of recorded movements, EMCS users in several Member States mentioned the risk that fraudulent movements were still happening outside of EMCS, which could partly explain the above response from the Member States on the system's fraud reduction potential. However, tax officials using the system widely estimated that fraud was certainly now much more difficult and much more expensive to commit than under the previous paper-based system. For example, it was pointed out by one tax official that it is now necessary for both the consignor and the consignee to be colluding for fraud to happen under the EMCS system.

Several factors were identified that helped Member States use information on Excise movements from EMCS. This included investment in data mining software to ensure that irregularities could be detected from the large amounts of information available on EMCS. For example, reports could be run using EMCS information on all the movements related to a product type, movements for which duty had not been paid, etc.

The level of training and experience of tax officials using EMCS was identified as an important factor for actual use of the information provided. While participating countries were responsible for developing the national interface of EMCS, it required a steep learning curve to understand how to use the information made available by EMCS most effectively. However, evidence from interviews suggests that officials quickly became more proficient and were able to share information and usage methods with other colleagues in the administration.

Having real-time information on excise movements available from EMCS was seen as a huge advantage, and in this respect, the timeliness of the data (i.e. knowing about the movement before its departure) was a vital aspect of being able to improve control of duty-suspended excise movements.

Overall, the evaluators assess it likely that Fiscalis 2013 has made significant contributions to the fight against fraud and tax evasion. Although little evidence exists in terms of quantitative indicators, the qualitative information gathered is consistent and coherent in supporting a clear link between the programme's activities and tools and the ability of tax administrations to identify potential risks. Altogether, IT systems in themselves were assessed to make fraudulent behaviour more difficult and costly to commit, which in itself was considered to reduce irregularities.

The evaluation can conclude that in particular the Trans-European IT systems to a high extent have helped national tax authorities identify and combat tax fraud and tax evasion. This is clearly the case regarding VIES, without which Member States would

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<sup>51</sup> 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 Decision No 1152/2003/EC, p. 26.



have scarce means to control movements and VAT payments and also the EMCS system which enables control in real time on movements of duty suspended goods.

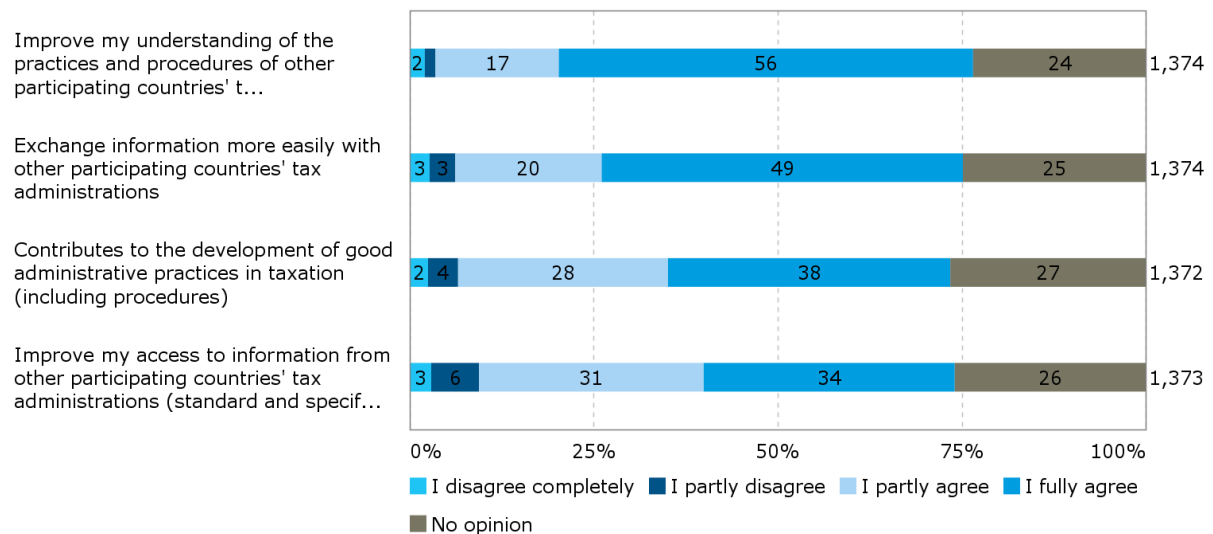
The rapid exchange of information should be seen as a necessary condition in the fight against fraud and VIES and EMCS were considered to provide the necessary means to identify potential irregularities which could be further examined. In terms of joint actions, EUROFISC was regularly mentioned as an important network, particularly related to the quick exchange of information necessary for the early detection of carousel fraud. Likewise, MLCs were considered as a vital means to follow-up suspected cases of fraud identified.

Direct tax e-Forms and the automatic exchange of information related to the Savings Directive were important in order to help tax officials better calculate the correct tax liability, by taking into account all revenue streams.

## How have the IT systems helped Member States to cooperate effectively and thus better apply the EU tax law?

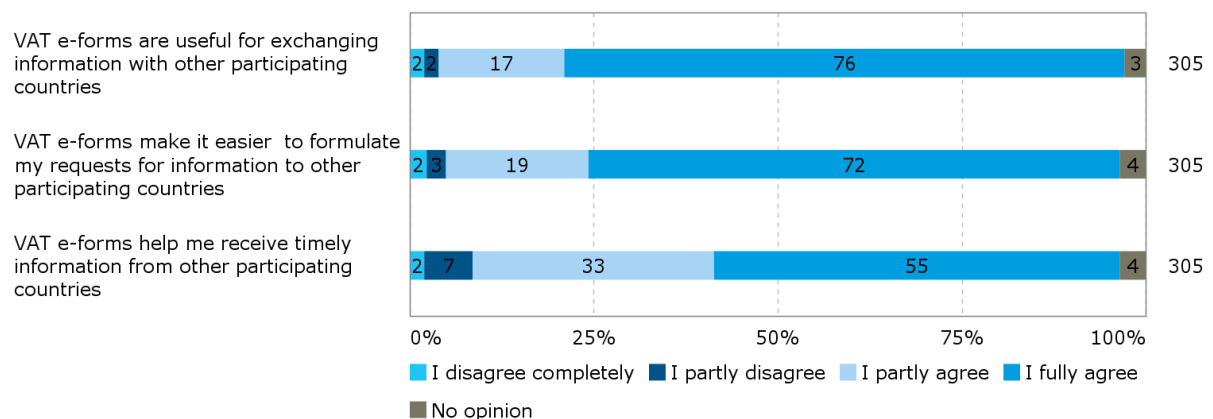
Information from the survey to tax officials broadly indicates that Fiscalis 2013 had a positive impact on cooperation between administrations. Nearly 70% of respondents agreed or partly agreed that the exchange of information with other countries' tax administrations was easier due to Fiscalis 2013 activities (Figure 9 Impact on administrative cooperation. Fiscalis 2013 events and activities enabled me to).

**Figure 9 Impact on administrative cooperation. Fiscalis 2013 events and activities enabled me to..**



The responses were very positive with respect to the contribution of e-Forms to administrative cooperation. More than 70% of the identified users of VAT e-Forms fully agreed that they were useful for exchanging information with other participating countries and made it easier to formulate requests for information.

**Figure 10 VAT e-Forms**



There were similar opinions on the impact of Direct tax e-Forms and for Recovery e-Forms, albeit with a slightly lower proportion of respondents fully agreeing. A total of 66% of the identified users of Direct Taxation e-Forms fully agreed that these are useful for exchanging information with other participating countries and 85% fully or partially agreed that these e-Forms make it easier to formulate requests for information and help

to receive timely information from other participating countries (Annex 1, Figure 43 and 44).

The case study findings on the usefulness of e-Forms for both VAT and Direct tax generally corroborated the responses from the survey. Users found it easier to formulate and respond to requests due to the standardised format of the information. The pre-defined fields often helped the users to ensure that all the information is included and the benefits were highest when the case information “fitted” the pre-defined fields. Compared to the previous paper-based system, some Member States noted that it was now easier to respect the time limits for response to information requests, as required by EU legislation on administrative cooperation. In addition, being able to have requests translated automatically into all EU languages was underlined as an advantage, removing a significant barrier to clear information exchange.

In the field of Excise, administrative cooperation functionality was included in EMCS from January 2012 onwards. Table 14 below gives an overview on exchange of messages for follow up or collaboration between Member States since EMCS became compulsory (EMCS Phase 3). During this initial period (up until June 2013, as covered by the consultation on the functioning of EMCS<sup>52</sup>) approximately 4 400 administrative cooperation requests were sent in the EMCS system, and over 6 100 messages received. This replaced the previous system based on paper and e-Forms.<sup>53</sup>

**Table 14 EMCS administrative cooperation, 1 January 2012 to 1 June 2013**

Number of control reports	14 948
Number of interrupted movements	1 806
Number of event reports	1 364
Number of admin. coop. request	4 435
Number of admin. coop. results	6 129
Number of history results	N/A
<b>Total messages exchanged</b>	<b>28 682</b>

Source: European Commission SWD(2013) 490 final

According to the survey conducted by DG TAXUD in 2013 on the functioning of EMCS,<sup>54</sup> 16 out of 23 Member States (70%) stated that administrative cooperation worked better in EMCS Phase 3 than previously using MVS and EWSE systems and Excise Liaison Office (ELO) mailboxes.

The evaluation found ample evidence that the common development of the IT systems also helped to ensure the better application of the rules in the respective tax areas. While the development of the functional and technical specifications of the IT systems was done mainly in more formal forums such as the EMCS Computerization Working Party or the Standing Committee on Administrative Cooperation (SCAC), Fiscalis 2013 joint actions permitted Member States to align themselves on the interpretation of certain legislation necessary for IT systems to be implemented. For example, Fiscalis

<sup>52</sup> SWD(2013) 490 final

<sup>53</sup> A potentially high risk movement could be communicated to other Member States using the Early Warning System for Excise (EWSE); after the introduction of EMCS the Movements Verification System (MVS) served as an administrative tool for the verification of movements of Excise goods after their release for consumption, but is in the process of being phased out.

<sup>54</sup> SWD(2013) 490 final.

2013 seminars were identified as an important factor in helping Member States agree on the format of a standardised VAT return form, which had to be in place for the development of the Mini One Stop Shop.

Examples given by interviewees suggest that it was likely that such cooperation between Member States before and during implementation was an important aspect of the correct application of the EU tax law. According to the Internal Market Scoreboard<sup>55</sup> between 2008 and 2012, taxation systematically ranked among the top four policy areas with the highest number of infringement proceedings. Direct and Indirect Tax accounted for over 20% of the total number of cases during that period. Most of the infringement proceedings were related to the improper application of EU rules, highlighting the need for agreement on how EU rules should be implemented. Over the programme period, there was a slight decrease in the number of open infringement proceedings for Direct and Indirect tax. It is not clear what impact Fiscalis 2013 has had on the number of proceedings opened; however, interviewees from the case studies frequently mentioned how Fiscalis 2013 encouraged informal interaction between Member States (by creating networks and personal contacts through joint actions) which was considered important in order to ensure that the way EU tax law was interpreted in the same way by Member States. DG TAXUD interviews suggested that the flexibility of the programme in terms of joint actions made it a valuable tool to be able to respond fairly rapidly to potential implementation issues.

The evaluation findings clearly show that the IT systems have supported Member States to cooperate effectively and implement the EU law in taxation. Considering all the Fiscalis 2013 activities designed to facilitate administrative cooperation, the programme appears to have had a particularly strong direct impact on this area through the development of common e-Forms allowing the standardization of the formats of information exchange.

The common development of the IT systems was also important in terms of helping Member States to cooperate informally and thus reach consensus on implementing all EU legislation in the respective tax areas. The need for this type of cooperation was highlighted by the fact that Direct and Indirect Taxation accounted for a high number of infringement proceedings over the programme period. The flexibility of the programme meant that joint actions could be used to organise events and contacts between tax officials in order to respond to pressing problems related to interpretation of EU rules.

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<sup>55</sup> [http://ec.europa.eu/internal\\_market/score/index\\_en.htm](http://ec.europa.eu/internal_market/score/index_en.htm)

### **How have the IT systems contributed to improved revenue collection?**

Evidence collected from the case studies and surveys suggests that the IT systems did improve revenue collection in all tax areas, although no tangible evidence in terms of amounts could be provided. It was generally considered that IT systems supported by Fiscalis improved the quality of information available to auditors and tax inspectors working closely with taxpayers in the respective Member States, which in turn is likely to have contributed to improved revenue collection. The data collected suggests that the idea of revenue collection was often closely linked to the aspect of reducing tax avoidance, evasion and fraud as, by default, this helped to ensure the correct tax was paid.

The survey results indicate that the IT systems were considered to have had a positive impact on revenue collection. The majority of VIES and VIES-on-the-web users thought that the systems made a positive contribution towards improved revenue collection (Annex 1, Figure 39, Figure 40). Results from the DG TAXUD survey on the functioning of EMCS show that 15 out of 20 Member States (75%) considered that EMCS had led to improved revenue collection.<sup>56</sup>

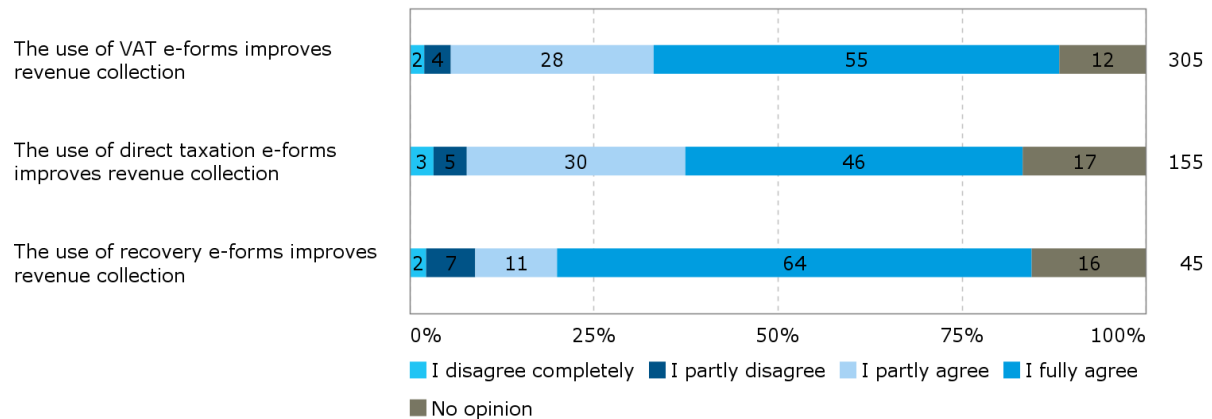
Most Member States were not able to give any quantitative detail on the value of revenues collected thanks to Fiscalis funded tools or activities, although some Member States did occasionally give figures. Unfortunately there was little evidence as to the methodology used to calculate these figures. For example, the UK calculated that they had collected GBP 32 m additional VAT assessment as a result of the Fiscalis 2013 programme overall. In general, however, it was considered that the impact on revenue collection was positive.

As the figure below shows, e-Forms were assessed to be a useful tool to improve revenue collection. In particular, recovery e-Forms were judged to have a good impact in this area - 75% of users agreed or partly agreed that the use of these e-Forms improved revenue collection, not surprising as they have been designed to help with the recovery of international debts owed.

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<sup>56</sup> Commission Staff Working Document accompanying the report 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 Decision No 1152/2003/EC, p. 43.

**Figure 11 Impact of e-Forms on revenue collection**



Interviewed users of VAT and Direct tax VAT e-Forms were reluctant to link information exchange directly with improved revenue collection, but rather focused on the goal of exchanging quality information within the time periods.

In addition to IT systems, MLCs were frequently mentioned during the case study visits as an important tool to aid revenue collection. According to data collected from closed MLCs for which a report was sent (85%), these led to the identification of additional tax revenue with a value of approximately EUR 3.26 billion.<sup>57</sup> However, MLC coordinators, tax officials and Commission staff emphasised that the value of MLCs was to be considered not only in monetary terms; the prevention of fraud was also noted as an important impact, as well as information shared on new patterns of fraud. MLC coordinators also noted the impact of MLCs in terms of the compliance effect on the taxpayers when they became aware that administrations are cooperating internationally.

Based on the evidence presented, it is assessed likely that Fiscalis 2013 has contributed to improved revenue collection in all tax areas. Although Member States were unable to give details on the amounts collected thanks to tools funded by Fiscalis 2013, what little quantitative information exists supports this statement.

The improved revenue collection was primarily thanks to the fact that the IT systems ensured that tax auditors and tax officials had access to high quality and timely information which in turn enabled a more effective assessment of the taxpayer. The IT systems also enabled identification of potential risks, leading to more in-depth investigations, also through the MLCs. According to tax administrations, there was an important compliance effect identified, when taxpayers became aware that Member States were cooperating internationally.

<sup>57</sup> This figure relates to identified taxes due. It is not known what share of this amount is actually recovered in the end.

## How have the IT systems helped Member States to implement the EU rules efficiently?

There was little quantitative or tangible information available on which IT systems have led to the greatest efficiency savings, and the findings presented here are based on the opinion of National Fiscalis Coordinators, tax officials and DG TAXUD staff.

The DG TAXUD IT unit highlighted the promotion of efficiency by having one common infrastructure, the CCN network, shared by all the Trans-European IT systems. As one National Coordinator put it, “[...] *developing the IT systems commonly helps to bring all countries to the same level. Otherwise the differences would be so much bigger.*”

The DG TAXUD IT Master plan further explains that DG TAXUD achieved major saving in the implementation and operation of all its 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 MS across the taxation areas.<sup>58</sup>

In order to ensure efficient development of functionality and operations support, DG TAXUD highlighted the use of strict IT governance procedures to ensure value for money. IT services related to the Trans-European systems were sourced from the market using horizontal framework contracts with external providers, with little operational or development activity in-house. The DG TAXUD IT unit further pointed to the importance of having a six year programme under which the EC can engage IT service contracts with external providers, as a yearly budget would not offer the necessary flexibility and long-term funding needed to ensure the proper development of the IT systems in collaboration with suppliers.

Operational support to the Member States to help implement and run the IT systems represented an important part of the budget on IT spending, above 40%. The DG TAXUD IT unit described how they offered tight supervision of the process and worked closely with the Member States in order to meet the business goals. This included the development of common specifications that could be applied in each Member State as well as visits by DG TAXUD to the Member States in order to help troubleshoot any issues or perform necessary connectivity tests. The ITSM<sup>59</sup> service desk was also run by DG TAXUD to provide support to Member States on any issues related to the set up and operation of the IT systems.

Conformance testing was identified in interviews with DG TAXUD as one the areas which offered best value for money as the tools developed centrally could be used by all Member States. For example, the Self Service Test System (SSTS) was designed to allow Member States greater control to perform their conformance testing. In addition, collaboration between Member States on the development of IT applications was encouraged wherever possible. Another potential area mentioned for improving efficiency would be common development of risk analysis tools, but during Fiscalis 2013 this was in the planning phase, and no common risk analysis tools or systems were operational.

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<sup>58</sup> 2013 Information Technology Master Plan, Template version 1.8, 11/10/2012, Ref. Ares(2013)71539 - 21/01/2013, p. 17.

<sup>59</sup> ITSM refers to “IT Services Management” which is the contract for external service provision.



In terms of efficiency gains stemming from use of the IT systems at Member State level, the evidence is fairly mixed. In an attempt to assess the costs and benefits, DG TAXUD sent cost benefit analysis questionnaires to the Member States in January 2012. Five questionnaires (VAT systems, EMCS, DT e-Forms, Taxation on Savings, Recovery e-Forms) were sent to 27 Member States. 84 replies were received out of a potential 135, but no copies of existing national studies or assessments were received. There were very few quantitative indications of benefits, although some anecdotal examples were given (e.g. 10% increase in collected revenues in the year following the introduction of EMCS in one Member State). However, qualitative evidence did underline the importance of the IT systems, even though no precise value could be put on them.

During case study interviews, tax officials and managers also found it hard to quantify benefits of the IT systems, often because they were so integrated into the everyday work of the administration. It is worth pointing out that during interviews with national administrations it was evident that in some tax areas, officials could not even imagine implementing EU rules without the IT systems available. In many cases the use of certain IT systems was obligatory in order to ensure compliance with Regulations on information exchange or administrative cooperation.

There was strong evidence from case studies and the survey to suggest that many of the IT tools had led to a reduction in administrative burden, with e-Forms and CCN mail having a particularly strong impact in this area. The reduction of the use of paper documentation, reducing the time and effort involved in procedures for tax officials and simplifying the necessary procedures were mentioned as important contributions to efficiency savings. EMCS was also considered to have had a positive impact on the reduction of administrative burden. The survey on the functioning of the EMCS shows that Member States summarised one of the main benefits of EMCS: "Less paperwork results in reduction of workload and therefore faster system".<sup>60</sup> (This is discussed further in the section on reduced administrative burden). However, in terms of costs, only 5 out of 22 Member States (22.72%) stated that EMCS significantly decreased the recurrent cost of ensuring compliance with Excise legislation. However, this finding should be interpreted with care, as only 1 out of 17 Member States considered the costs to have increased.

However, there are indications that IT systems did lead to some increase in efficiency. In a survey of tax and Excise officials<sup>61</sup> undertaken by DG TAXUD in 2011, 9 out of 10 Member States considered that the efficiency of the administration had increased as a result of the introduction of VAT Refund and 10 out of 14 Member States considered that the EMCS had improved efficiency of the administration.<sup>62</sup>

There was scarce evidence to clearly suggest that national resources had been freed up as a result of the use of IT systems. The use of VIES-on-the-web was identified in case studies as a tool that did clearly help free up national resources, due to the fact that traders could verify the validity of a VAT number online rather than requesting the validation to be undertaken by the national administration. DG TAXUD calculated that approximately 157 million VIES-on-the-web validations took place in 2011, and that if each of these had been dealt with by a five-minute telephone call, it would have cost

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<sup>60</sup> SWD(2013) 490 final, p. 41.

<sup>61</sup> Five questionnaires were sent out to administrations, covering VAT-related systems, EMCS, Recovery, Taxation on Savings (Savings Directive), and Direct Tax e-Forms.

<sup>62</sup> CBA Questionnaires: Feedback to TAX//EMCS colleagues, 28 March 2012, v.1.2, TAXUD R4.

more than EUR 160 million to national administrations, according to compliance cost calculations.<sup>63</sup>

The findings indicate that development of common IT systems under Fiscalis 2013 did help Member States to implement EU rules efficiently. This was mainly thanks to economies of scale and central development of tools by DG TAXUD. Conformance testing tools were identified as offering good value for money in this respect. There was also strong operational support from DG TAXUD, which included a service support desk and visits to Member States to help implementation.

There were very few instances of quantification of benefits of the IT systems and no robust studies or national cost benefit analyses were available. However, it was clear that tax administrations did consider the IT systems to have had a positive impact on efficiency. Evidence was sporadic on whether national resources were freed up due to use of the IT systems, although some tools such as VIES-on-the-web have had clear impact in this area, by eliminating the need for tax officials to respond to information requests.

In several administrations, the IT systems supported by Fiscalis 2013 had become such an integral part of officials' daily work, that they could not see any alternative to exchanging information.

### **How have the IT systems helped to decrease administrative burden for economic operators and national administrations?**

The objective of reducing the administrative burden for tax administrations was a key design goal of many of the IT systems and was clearly aligned with the electronic exchange of information. During data collection, the reduction of administrative burden was associated with the reduction of the use of paper documentation, reducing the time and effort involved in procedures for both businesses and tax officials and simplifying the necessary procedures.

According to the survey results, users clearly considered that the main IT systems saved them time. 92% of respondents fully or partly agreed that without VIES it would take longer to identify possible irregularities in intra-EU supplies (Annex 1, figure 39); VIES-on-the-web showed similar results, with 91% fully or partly agreeing that without VIES-on-the-web, it would take longer to validate a VAT number (Annex 1, Figure 40).

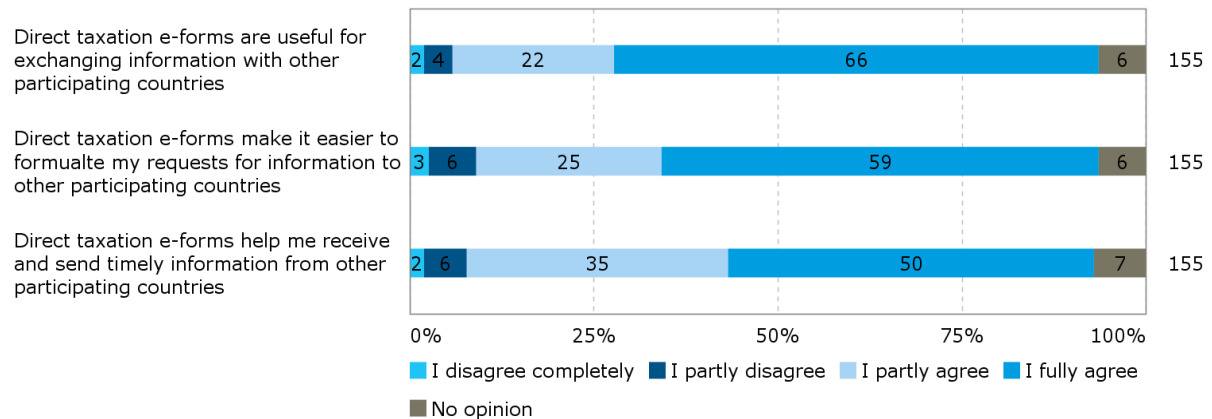
During case study visits, tax officials explained that this was due to the fact that traders were directed to the Europa application, rather than making the request to the administration, thus freeing up resources in the administration. Tax officials who commented on it unanimously thought that VIES-on-the-web had reduced the administrative burden for traders and administrations respectively, thanks to the ease of use of the application.

The benefits of e-Forms were also clearly identified by users: 91% of respondents fully or partly agreed that VAT e-Forms made it easier to formulate requests for information, while 88% fully or partly agreed that they helped to receive timely information from other participating countries (Annex 1, Figure 42). The responses were similar for Direct tax e-Forms, with only a slightly lower proportion of respondents fully or partly agreeing with the same questions (Annex 1, Figure 43).

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<sup>63</sup> 2013 Information Technology Master Plan, Template version 1.8, 11/10/2012, Ref. Ares(2013)71539 - 21/01/2013, p. 5.

**Figure 12 Impact of Direct tax e-Forms**



Recovery e-Forms also received a broadly similar positive reaction in terms of their impact on formulating and receiving requests for information, although there were a low number of respondents for this question (Annex 1, Figure 44). During the case studies, it became evident that the benefits of the e-Forms were often linked to the procedures that were in place to exchange information. This could include for example, a specific Word template for use by regional auditors in Spain, or empowering regions with the competence to exchange information in Finland (see Box 3 below).

**Box 3 Decentralised information exchange in Finland**

One important difference in Finland is that, unlike many other Member States, responsibility for both VAT and Direct tax e-Forms are decentralised, with competent authorities with the legal basis to exchange information based at a regional level and not just via the Central Liaison Office (CLO). Interviewees explained that this arrangement reduces the workload on the CLO officials, who previously would simply forward requests or responses from capable regional officials.

Interviewees felt that by empowering the right people to use the tool through this arrangement, the impact of the e-Form on reducing administrative burden could be maximised. In addition, having competent regional officials was also considered beneficial as they were in close contact with auditors working on the ground and thus could deal with any queries more efficiently.

The majority of users of e-Forms who were interviewed during case study visits estimated that e-Forms saved both time and effort when exchanging information, as they considered it easier to deal with information in a standardised format. However, some users indicated that officials sending requests sometimes “tick” all the boxes which was considered to create additional burden, as the reason for the request was not clear, yet responses still had to be given.

#### Box 4 Use of e-Forms in the Netherlands

In relation to the usefulness of the forms for outgoing requests, it was pointed out that in most cases the Dutch requests to other Member States were very specific and therefore the standard e-Forms were hardly used, as they did not contain the relevant information. In extension of this point, it was highlighted that for complex cases the form was difficult to read. Additionally, interviewees pointed out that the Dutch administration had in place a good Word template, which was considered easier to complete for the officials, in particular in the area of Direct Taxation.

Concerning incoming requests, the interviewees pointed out that the e-Forms have not led to qualitatively better requests from other Member States. The interviewee explained that all the boxes of standard questions were very often ticked, despite the fact that these boxes were not all relevant for the specific case. The interviewees stressed that it was crucial to distinguish between "nice to know" or "need to know" and that Member States should only tick boxes when they "need to know". Moreover, when answering a request, the e-Forms were considered difficult to read and often unclear for the official handling the request.

The benefit was considered greatest for cases that could be well described by the pre-defined fields, although for more complex cases, some officials considered that filling a paper form would be just as easy in terms of formulating the request. However, used with CCN mail to send directly to the competent authority, e-Forms were generally considered to be a vast improvement over previous paper-based procedures.

In the field of Excise, the DG TAXUD survey on EMCS had positive findings in terms of simplification of procedures. 16 out of 23 Member States (70%) stated that EMCS has led to simplification of procedures, including the elimination of paperwork; faster and simpler administrative procedures, and more convenient and efficient monitoring of economic operators.

Similar responses were received from traders, with 59% stating that EMCS led to a simplification of procedures so far, mentioning that there was no paper work, which saves time and costs; the elimination of loss of documents; and faster release of guarantee for the movements. However, case study interviews with EMCS users and managers revealed that there was a fairly steep initial learning curve for both tax officials and for traders, but that the benefits of EMCS quickly became clear.

However, the survey revealed mixed opinions among administrations on the effect of EMCS on administrative cost: 8 out of 23 Member States (35%) thought that administrative costs of the operation of EMCS compared with the costs of operating the previous paper-based arrangements under Directive 92/12/EEC were lower. 9 Member States (39%) thought however that they were higher, and 6 (26%) didn't know. Opinion was equally divided among traders: 38% of the trader responders thought that administrative costs of the operation of EMCS compare with the costs of operating the previous arrangements were lower (24% - higher; 38% - don't know).

The apparent disparity between the findings on administrative cost and simplification of procedures could be due to the initial costs involved with implementing the required EMCS functionality. Interviews with EMCS managers revealed that there were frequently scarce resources to implement subsequent new phases of EMCS functionality. One National Coordinator interviewed pointed out that they were as yet unable to implement phase 3.1 EMCS due to financial restraints.

During the case studies, officials generally considered that it was still too early to judge the impact of VAT Refund, on the administration or on economic operators. However, a

Commission cost-benefit analysis conducted in 2012 did collect information from some Member States on its impact: according to the survey, 9 out of 10 Member States considered that the burden on economic operators had decreased.<sup>64</sup>

Overall, it can be concluded that the IT systems supported by Fiscalis 2013 have had a positive impact on the reduction of the administrative burden for tax administrations. However, this finding is nuanced and depends on the IT system and tax area. e-Forms for VAT, Direct Taxation and Recovery were all considered to have made formulating and responding to requests for information easier. However, users from several case study countries gave the caveat that there were instances where improper use of e-Forms led to increased workload, and they did not offer enough flexibility for some requests.

For tax administrations, the EMCS was seen as having had a positive effect on the simplification of procedures, particularly thanks to the elimination of paper, thus reducing the workload. However, Member States were divided on whether the administrative cost had been reduced at the same time. There seemed to be clearer findings on the impact of VIES and VIES-on-the-web in terms of time needed to access information or perform the necessary validation.

For economic operators the findings are less clear, and it should be highlighted that the evaluation has not collected data directly from economic operators, and thus findings are not conclusive. While evidence on the reduction of administrative burden for traders was clear for certain systems such as VIES-on-the-web, trader opinions appeared to be divided on the impact of EMCS.

### **Could there be or are there any alternatives from acting at the EU-level in order to achieve similar outcomes?**

Various other types of cooperation and forums for exchange of taxation information were identified by stakeholders. These included bilateral or multilateral agreements between countries, such as the Nordic group against international tax evasion [NAIS] or increased collaboration between Benelux countries. Regional level cooperation was also identified related to borders which have a lot of international trade - for example there were enhanced information exchange agreements between border regions of France and Spain, due to the high levels of localized cross-border trade.

However, officials interviewed during the case studies generally judged these initiatives to be complementary to Fiscalis 2013, rather than offering any real alternative to the programme. It was considered that the value of Fiscalis 2013 was the ability to exchange information between all countries over a common secure network (e.g. the CCN) and in a common format, something that only Fiscalis 2013 could offer. Respondents were unanimous in considering that IT systems such as VIES were currently the only way of exchanging such information, and that it would be unthinkable if cooperation and information exchange were to not be supported by an EU-level programme.

According to the survey of National Coordinators, 84% of respondents considered that without Fiscalis 2013, the volume of information exchanged between the Member States' tax administrations would be lower or significantly lower than the current situation, and there was strong consensus among respondents (93%) that the overall level of interaction and cooperation with other Member States' tax/customs administrations would be lower or significantly lower (Annex 2, Table 10).

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<sup>64</sup> CBA Questionnaires: Feedback to TAX//EMCS colleagues, 28 March 2012, v.1.2, TAXUD R4.

Other relevant international bodies identified include the Intra-European Organisation of Tax Administrations (IOTA), which provides a forum to assist members in the European countries to improve tax administration. The 46 members include many EU countries; however, one National Coordinator noted that workshops in this forum were often at a more practical level and designed to develop the administrative practices of participating countries to bring them to the same level as many EU countries. Consequently, it was not really considered an alternative to an EU-level programme in terms of information exchange or the development of good practices.

The OECD was frequently mentioned as an entity that was active in the area of information exchange and administrative assistance. Tools for information exchange have also been developed under the OECD and collaboration between the programme and OECD was identified in this respect. For example, the tool for automatic exchange of Direct tax information was adapted from the OECD to the needs of the EU. DG TAXUD noted the importance of inviting OECD Members to Fiscalis 2013 workshops when developing common tools. In sum, cooperation with the OECD was seen to provide valuable input in terms of developing common tools.

Based on the findings, the evaluators conclude that the Fiscalis programme(s) can be considered as unique and that it would have to be replaced by a similar EU-level programme if hypothetically it were to cease to exist.

Since other international initiatives include non-EU Member States, they do not have the same legal basis for cooperation and thus not the same incentive to develop tools and systems to support application of EU legislation.

It is also deemed unlikely that bilateral cooperation could lead to the same level of harmonisation. The IT systems, and particularly the CCN system, funded by Fiscalis 2013, were judged to be vital to the secure exchange of sensitive tax information, and can only be achieved in a EU-level system.

### **To what extent has support by joint actions been important for the development and functioning of the IT systems?**

Many of the joint actions and training activities held over the Fiscalis 2013 period have been relevant to the development and functioning of the IT systems, either in terms of educating users, ensuring that the systems are usable in all Member States or helping with their smooth implementation in national context.

According to data from the programme reporting tool (ART2), 188 IT training events were held over the programme period. These were complemented by missions to Member States undertaken by DG TAXUD, including training and coordination visits – in some cases to perform connectivity tests.

Training courses were also held for all Member States by DG TAXUD R4 regarding the new IT tools, VIES, VAT Refund, etc. In addition, joint actions that touched upon the IT systems were identified as a useful channel to share information between Member States and ensure smooth functioning of the IT systems. For example, officials from one case study country described how they used a working visit to present their experience with national implementation of e-Forms and share information on challenges they had overcome.

Workshops and e-learning modules were also identified as effective ways of introducing tax officials to the IT systems. In particular for EMCS, certain seminars were judged to be useful for enabling IT personnel to become familiar with the vast array of necessary technical and functional documentation that must be used to implement the various



phases of the system. E-learning tools were seen as a good way of building a common basic knowledge about the systems among tax officials and traders.

### Box 5 Use of joint actions in Hungary

Employees of the Hungarian administration have participated in numerous joint actions in the field of Excise duties, including working visits on EMCS and risk analysis. Hungary contributed to the technical development of an EMCS e-learning module as part of a project group, and this module helped users of EMCS across the EU learn about its functionalities, procedures, etc. As a result, EMCS was considered to have been used more effectively and efficiently, and arguably more uniformly, by those that completed the E-learning module, which also helped administrative co-operation between Member States.

Interviewees were keen to emphasise the importance of Fiscalis joint actions for developing personal contacts / networks and thereby helping to increase the amount of information shared between Member States. In addition, personal contacts were reported to increase the willingness of other administrations to provide assistance and increase the speed with which requests are responded to. For example, the possibility of sending a private email to a colleague in another Member State in advance of sending a message via CCN mail increased the speed of response and the quality of the information received.

Seminars and workshops were considered useful to ensure the “usability” of the IT systems for each Member State during the development phase. One National Coordinator noted that: *“Support by joint actions is indispensable for the development of information systems that communicate with each other. This is the only way by which we come to a common understanding of systems.”* While it was recognised that more formal discussion was held in other forums, for example the EMCS Computerization Working Party, workshops were seen as a useful way of bringing officials/practitioners from the Member States together in an informal setting and of exchanging ideas from the field.

Evidence from the case studies also underlines how joint actions were used in this way to bring Member States together. For example, tax officials noted how vital the workshops were to ensure that the e-Form application for Direct tax (e-FDT) would be suitable for use in at least 28 different realities. Informal discussion at an early stage of development enabled problems to be solved and a consensus to be reached on the various priorities that Member States might have.

In terms of day-to-day operation of the IT systems, finding from the case studies indicate that joint actions provided a useful channel for discussion and problem-solving. Results from the survey to tax officials indicate that nearly 80% of the respondents used the programme activities (this includes joint actions) to expand their network to tax officials from other Member States, and half of the participants regularly contacted the colleagues they met after the programme (Annex 1, Figure 26 and 27). Moreover, during the case studies, in the area of IT development, the value of informal contact *after* meetings was often highlighted, as well as the importance of being able to use the network developed through Fiscalis 2013 to help solve day-to-day operational problems and complement the formal channels of communication.

Joint actions were emphasised by both Member States and DG TAXUD as a useful tool to solve interoperability problems between Member States during the implementation of the electronic VAT refund procedure. These included a project group and a seminar (bringing together businesses and tax administrations) suggesting a package of measures to solve some of the problems, within the framework of the legislation that had already been agreed.



Across all tax areas, there was further a desire to increasingly collaborate on IT projects, as evidenced by the ongoing discussions in the Fiscalis project group on IT collaboration, which specifically follows work strands related to exploiting potential synergies across the European IT systems (including the collaborative development of non-EU components, promoting the exchange of best practices, and recommending a common methodology for assessing costs and benefits of the IT systems).

In addition, Fiscalis 2013 joint actions were used to help prepare the legislation for various IT systems, for example for the VAT Mini One Stop Shop. DG TAXUD noted that these types of meetings to prepare legislation were closely linked to the IT systems, as legislation problems (e.g. detail of what the standardized VAT return form should look like) had to be dealt with before the whole system could work, and even before technical IT problems could be dealt with.

It was further considered that another added value of Fiscalis 2013 was the flexibility it allowed when organizing problem-solving discussion. According to one DG TAXUD policy unit, meetings could be organized without much notice (e.g. a matter of months), highlighting that rigid requirement to implement long-term planning would lead to a loss of this valuable aspect of future Fiscalis programmes.

Overall, it can be concluded that the joint actions made a strong contribution to the IT systems, both in terms development and functionality, as well as ensuring that the common specifications could be adapted in all Member State realities.

Joint actions were identified as a useful way to share information between Member States on their various national realities, thereby ensuring that information exchanged through the IT systems was put into effective use in the national contexts as well. Joint actions were also useful for Member States to become familiar with the array of technical and functional documentation related to the IT systems.

The programme has helped IT personnel and users to ensure that the systems remained operational, and problem solving through informal networks formed during and after meetings was noted as particularly effective in this respect.

## Unexpected and unintended results

This section aims at answering the evaluation question related to the unexpected and unintended results of Fiscalis 2013. In order to do so, the question has been divided into 2 sub-questions, namely:

- Can any unexpected or unintended results be identified and have they contributed to or hindered the programme achievements?
- Are there any contextual factors which have contributed or hindered the programme's achievements?

Based on the evidence collected, the evaluation sets out to provide detailed answers to each sub-question in two separate sections. It should be noted, that these sections place the programme in a wider context and assess its effects in relation to factors which are external to the programme. Hereby these sections offer valuable insights into Fiscalis 2013's contribution to tax administrations in a changing context.

### Can any unexpected or unintended results be identified and have they contributed to or hindered the programme achievements?

In total three unexpected results were identified, of which two were assessed as having an adverse effect on the programme's achievements.

**Table 15 Unexpected and unintended results of the Fiscalis 2013**

Activity	Unexpected result
IT system	After the introduction of the EMCS there was an indication of growth in the volume of duty paid paper-based movements. Presumably, the reason for this is that the paper-based procedure does not require registration on SEED. <sup>65</sup>
Joint actions	Across all joint actions additional networking effects have been noted by programme management, besides the formal networks (e.g. the project groups organised as networks such as e-audit network). Unexpectedly the joint actions have also contributed to establishing informal contacts which increases the quality of the cooperation.
Information exchange	e-Forms increased the administrative burden for the receiving state because often the sending administration tick all "boxes" indiscriminately. This practices was observed in several case studies, although it was noted that the e-Forms overall did reduce the administrations' administrative burden more than they increased it.

The mechanisms leading to unintended results were generally difficult for interviewees to identify in detail.

In relation to the unexpected effects attached to the EMCS – although difficult to document as only noted by one interviewee from DG TAXUD and not examined in further detail by the evaluators – it could be that the move to duty paid paper-based movements after the introduction of the EMCS occurred because the duty paid paper-

<sup>65</sup> There was no tangible evidence or quantitative information available to support this as yet. A study is currently being undertaken by DG TAXUD to evaluate the current arrangements related to cross-border movement of goods using the Business-to-business (B2B) paper-based procedure.

based movements make it easier for economic operators to commit fraud. However, it could also depend on issues with the compliance of economic operators, as for smaller traders it could be difficult to comply with the technical and financial requirements (e.g. guarantee requirement) for movement of duty suspended good. If this is indeed the case, it indicates that the effect of the EMCS in reducing fraud may have been hindered in realising its full potential.

With regard to the unexpected result of ticking of all “boxes” in the e-Forms, the case studies confirmed that this did indeed increase the administrative burden for receiving states and thereby hindered the programme’s achievements in relation to effectiveness. At the same time, some Member States noted that this adverse effect did not cancel out the overall reduction in the administrative burden which was brought about by the e-Forms. Frequently, interviewees from case studies pointed out that the reduction in administrative burden which the e-Forms delivered was more significant than the increase in administrative burden. However, the ticking of all “boxes” prevented the e-Forms from fully exploiting their potential in contributing to a reduction in the administrative burden for national administrations.

One positive unexpected result was the informal networks established through Fiscalis 2013 which supported the information exchange, administrative cooperation and the exchange of best practices. The case studies confirmed –without exception - that these informal networks were of importance to the administrative cooperation as well as the improvement of national practices and procedures. The mechanism behind the positive informal networking was indicated to be that the joint actions gather officials from across Member States who work on similar subjects and therefore have an interest in being in contact outside the formal networks.

### **Are there any contextual factors which have contributed to or hindered the programme’s achievements?**

The case studies collected detailed data on the contextual factors which either hindered or contributed to the programme’s achievements. These contextual factors are factors which were external to Fiscalis 2013 and could not be influenced by the programme. Notably, evidence suggests that several of the identified contextual factors worked simultaneously as a driver (a factor which contributed to the programme’s achievements) and as an inhibitor (a factor which hindered the programme’s achievement).

During the inception phase, 10 potential influencing factors were identified through explorative interviews, of which 3 have been confirmed by the evaluation (1 influencing factor was modified and presented as a new factor). Based on findings, the evaluation identified 3 new factors (including the modified factor). The table below presents a summarised review of the factors identified during the inception phase and those confirmed/identified during the evaluation.<sup>66</sup> This table is followed by a section which explores each confirmed, external factor in more detail.

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<sup>66</sup> It is important to note that the fact that an influencing factor was not confirmed does not signify that it was unimportant for the programme’s achievements. If a particular factor did not pose a problem or was indeed functioning well (for example institutional capacity to use information exchanged), then it will not have been identified as a contextual factor influencing the programme.

**Table 16 Contextual factors which influenced the programme**

Factor	Confirmed/ Not confirmed	Contributed to the programme's achievements	Hindered the programme's achievements
Institutional capacity to make use of electronically exchanged information	Not confirmed	n/a	n/a
Dissemination within the administration of information gained through joint actions	Not confirmed	n/a	n/a
Follow-up and implementation of actions resulting from Fiscalis 2013 activities	Not confirmed	n/a	n/a
Knowledge management strategies within national administrations	Confirmed	✓	✓
Differences in which categories or types of automatic exchange are relevant for Member States	Not confirmed	n/a	n/a
The resources dedicated to individual tax areas within national administrations	Not confirmed	n/a	n/a
Turnover of staff within the national administration	Not confirmed	n/a	n/a
The integration/alignment of national IT systems with European systems	Confirmed	✓	✓
Language skills of participating officials	Confirmed	n/a	✓
The selection criteria of national officials attending joint actions	Confirmed	✓	n/a
<b>(New)</b> The economic crisis	Confirmed	✓	✓
<b>(New)</b> Differences in national legislation	Confirmed	n/a	✓
<b>(New)</b> Interaction with the Intra-European Organisation for Tax Administrations	Confirmed	✓	✓

### Knowledge management strategies within national administrations

Three case studies found that the knowledge management strategies within national administrations contributed positively to the achievements of the programme. These strategies were reflected in how national administrations organised cooperation on MLCs and IT systems as well as the division of responsibility for tasks related to Fiscalis 2013.

Firstly, a horizontal organisation with few levels of management between staff and executives improves and eases communication between the auditors and those responsible for writing the proposals to the MLCs, which means that MLC proposals are produced efficiently. This improves the national administrations' ability to mobilise participation in MLCs, which increases the number of proposals written, thereby contributing to the programmes achievements delivered by MLCs.

Secondly, close collaboration between the administration and the IT department provided more flexibility and the ability to respond quickly and efficiently to IT problems. This collaboration was primarily achieved by clearly designating which official (who had knowledge of how the IT systems were being used by other officials) was responsible for liaising with IT departments. This enabled the administration to more efficiently implement and make better use of the IT systems.

Overall, these measures contributed to the achievements of the programme because the national administration effectively ensured that knowledge management was more conducive to participating in Fiscalis 2013 and making use of the IT systems, hence improving the achievements of the programme in a national context.

On the other hand, according to interviews with key stakeholders, differences in national tax administrations' organisational set-up made it difficult to find out where to send or ask for information. This could hamper the exchange of information, because officials were less able to determine which contact points in other Member States were the appropriate sources for information.

### **The capacity of national IT systems**

Overall, the national IT systems complemented the functionalities of the Trans-European IT systems. In the instances, where national systems facilitated the use of Fiscalis 2013, they increased the usefulness of the IT systems, because the national systems improved the availability of information which could be used in connection with the information provided through the Trans-European IT systems. As a result, the national systems contributed to the Member States' ability to make full use of the systems supported by Fiscalis 2013. Examples of this are provided in Box 6 below.

#### **Box 6 Examples from case studies**

**Driver:** In 2010, the Luxembourgish administration switched to a monthly declaration system for companies, whilst other Member States receive this information on a quarterly basis. Overall, this has contributed to the accessibility of data on a national level and thus increased the access to accurate and up-to-date information and along with VIES contributed to the effective monitoring of economic operators. Although this example pertains to Luxembourg, similar national procedure/IT systems could contribute to enhancing the quality and timeliness of information available through VIES<sup>67</sup>.

**Driver:** In Spain, the tax payer information was gathered through a national IT tool called *Zujar*, which organised the information into VAT categories (such as transactions, property, etc). This information can be cross-checked with information on receipts in order to flag up any difference between the amount of VAT a taxpayer declares with the amount for which he/she is liable. As a result, this was highlighted as a means to use the information from VIES to its full effect.

**Inhibitor:** Since the Dutch export system, Export Control System (ECS), is not

<sup>67</sup> Member States have been obliged to receive monthly recapitulative statements from traders concerning intra-EU supplies of goods since January 1st 2010. It could be that the interviewees are referring to discrepancies in periodicity in relation to low values of supplies made, for which there is an exemption for in the Council Directive 2008/117/EC. For these supplies, economic operators should submit their recapitulative statements for each quarter rather than each month. One possible explanation is that Member States may have laid down restrictions to this exemption, which would allow for variation in the periodicity of recapitulative statements for low value supplies across Member States.

integrated or connected to the EMCS, all movements which end outside the Netherlands have to be closed manually. The consequence is a longer processing time for those movements which results in delays between the movement actually ending and being registered as ended. In the context of Fiscalis 2013, this meant that EMCS potential in effectively controlling movements and simplifying procedures is not being exploited to its full extent. If the systems were connected, it would significantly enhance the EMCS' contribution to the improvement of the administration's ability to monitor and control movements.

At the same time, national IT systems also hindered the full use of the Trans-European IT systems to some extent, when the systems were not integrated or compatible, or when technical issues occurred. In these cases, the national IT systems or architecture reduced Member States' efficiency in making use of the Trans-European IT systems or prevented their full utilisation.

In summary, the evidence collected indicates that the Member States which allocated sufficient resources to ensuring that their national IT systems complemented European IT systems such as the EMCS, reaped higher benefits from programme.

### **Language skills of participating officials**

Language barriers were identified as a hampering factor for the programme's achievements in a majority of the case studies. These barriers concerned either spoken language which hindered participation and dialogue, or the language of relevant documents which hindered the exchange of information. Additionally, the general part of the survey found that 49% of the respondent stated that they could "not very easily" or "not at all" speak in a foreign language on professional topics. These language barriers hampered the programme's achievements as they prevented cooperation between tax officials.

### **The selection criteria of national officials attending joint actions**

Some case studies suggested that it was important that the appropriate national officials were selected for joint actions, in order to ensure productive discussions during seminars and workshop. National Coordinators generally pointed out, that they made an effort to select participants with the right professional background. That said, some National Coordinators highlighted that they also had to take human resources policy into account and that they therefore had to ensure a reasonably fair access to Fiscalis 2013 events. Overall, National Coordinators assessed that the selection of participants generally ensured productive activities, and this was rarely contradicted, which suggests that it is likely that this contextual factor contributed to the programme's achievement.

### **The economic crisis**

This factor is related to an initially expected one, namely that the resources dedicated to individual tax areas within national administrations would influence the programme's achievements. However, the evaluation could not identify that any differences in the resources dedicated to specific tax areas had occurred, although the case studies and key stakeholder interviews did suggest, that the overall pressure on resources within national administrations increased due to the economic crisis.

Overall, the economic crisis affected the programme's achievements since it resulted in budgetary restrictions which were judged to have reduced Member States' participation in programme activities or resources to implement IT system updates nationally. However, the economic crisis has also been a driver for Fiscalis 2013. Firstly, the economic crisis increased the attention towards ensuring cost efficiency of the activities. The evidence collected indicates that this contributed to delivering activities at the lowest possible costs. Secondly, the economic crisis led to a growth in the volume of information exchanged through the programme due to Member States placing additional



emphasis on revenue collection. One interviewee even suggested that the crisis may have increased interests in participating and cooperating because national budgetary restrictions limited the possibilities to develop, implement and improve national IT systems.

### Differences in national legislation

National legislation may have inhibited the effects from the programme from reaching their full potential. For example, this may hamper the cooperation between tax officials during an MLC because auditors from different Member States cannot exchange the same information since they are under different legal obligations. Another example is that certain laws may inhibit Member States from sharing or obtaining certain information with other Member States as is the case for Luxembourg<sup>68</sup>.

### IOTA

Finally, interaction between Fiscalis 2013 and the Intra-European Organisation for Tax Administrations (IOTA)<sup>69</sup> was identified as a driver for the programme's achievements. This identification was based on the opinions of interviewees (from case studies) pointing out they had also participated in IOTA events which contributed to their network with officials from both EU and non-EU countries. This indicates that IOTA is a driver for the programme in that it pursued similar objectives to Fiscalis 2013, i.e. improving co-operation between tax administrations.

### Other contextual factors

Examples of other contextual factors identified during case studies are included in the box below. These examples show how contextual factors contributed to the programme's achievements, since they increased the instances where Fiscalis 2013 IT systems or activities were put to use. In other words, both examples contributed to Fiscalis 2013's achievements by increasing the utility of the IT systems provided by the programme.

### Box 7 Examples from Member States

**In Finland**, the EMCS is generally recognised as being useful to control all duty suspended movements, but the system became of even more use to the administration when the import of alcohol from Germany and Estonia increased, which needed to be controlled tightly by the administration. As a result, the contextual factor "increased trade" increased a national administration's need for EMCS because there were more movements to monitor.

**In the Netherlands**, a growth in the number of cross-border workers increased the participation in MLCs in the area of Direct Taxation. In addition, a working visit in

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<sup>68</sup> Namely, it is not obligatory for financial institutions in Luxembourg to allow information to be exchanged. This is a factor which restricts the exchange of information and as a result Luxembourg only exchanges information on the request of the tax payer. However, the interviewees assessed that during Fiscalis 2013 tax payers increasingly agreed to exchange information because they are preparing for the legislative change entering into force in 2015, which will make it compulsory for them to exchange information (under certain conditions).

<sup>69</sup> IOTA is an intergovernmental organisation with members from 46 European countries, which seeks to provide a forum for the discussion of practical tax administration issues. The organisation's 2014 work programme includes 32 activities and events across a range of tax areas.



Sweden introduced the Dutch administration to the possibility of introducing an SD 12 card<sup>70</sup> to make it easier to identify cross-border workers. The purpose was to reduce fraud in wages of cross-border workers in transportation and construction. As a result, the participation in MLCs was influenced by the contextual factor of growth in the number of cross-border workers and the increase in cross-border workers strengthened the overall potential of reducing fraud by employing a tool identified during a working visit.

The evaluation can conclude that there were several contextual factors which have contributed or hindered the achievements of Fiscalis 2013. A majority of these were internal to the national administrations and included the national IT systems, legislation and clear designation of responsibilities relating to Fiscalis 2013.

In addition, two external factors were identified, the most significant of these being the 2007 economic crisis in Europe and the other being IOTA. Whilst the economic crisis was assessed to have contributed to the programme's achievements by ensuring a focus on the most cost-efficient activities, it was primarily regarded as a hindrance to the programme, because many Member States' budgets were reduced at the expense of participation in Fiscalis 2013.

The effects of the presence of IOTA is more difficult to pinpoint, but findings suggest that IOTA may have pursued objectives similar to Fiscalis 2013 and thereby contributed to the achievements of the programme by strengthening the networks of officials and facilitating the exchange of best practices.

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<sup>70</sup> The SD 12 card allows officials to control that cross-border workers are complying with Dutch employment and tax legislation by containing information on their registration in the Netherlands. Specifically, workers carry these cards when working and auditors can then swipe the card on site to easily obtain the necessary employment related data.

## **Contribution of activities for dissemination of awareness, knowledge and action to the programme's objectives**

In this section the evaluation aims to provide an answer to how activities for dissemination of awareness, knowledge and actions contributed to the programme's objectives. The dissemination of awareness concerned how awareness of the programme's objectives and its activities was raised within the national administrations. The dissemination of knowledge looks at how the national administrations shared the knowledge obtained through the programme activities internally as well as with other Member States (if applicable). Finally, the actions relate to how the knowledge obtained through the programme contributed to bringing about changes within the national administrations. To allow for a detailed answer, the question has been broken down into four sub-questions:

- What activities have been undertaken to raise awareness of the programme's objectives and activities within national tax authorities?
- To what extent has awareness of the programme contributed to increased levels of cooperation with other tax administrations?
- Has knowledge gained through Fiscalis 2013 activities been shared and used within the national administration?
- To what extent did Fiscalis 2013 activities lead to changes within the administration (institutional, procedural, behavioural etc.)?

In these sections the evaluation provides detailed answers to each sub-question based on the evidence collected through case studies, key stakeholder interviews, a survey to tax officials across Member States as well as the survey to National Coordinators.

### **What activities have been undertaken to raise awareness of the programme's objectives and activities within national tax authorities?**

The interviews and case studies showed that Member States – through the National Coordinator - commonly disseminated information on Fiscalis 2013 activities through the administration's intranet site and it usually took the form of advertising particular activities. This was suggested as a particularly effective approach, since in this way the information also reaches regional offices. Another method highlighted as useful was , for example, to select two officials to promote Fiscalis 2013 by highlighting the possibilities offered by the programme, such as VIES or MLC.

The case studies showed that the resources available to National Coordinators differed across countries, for example, in some Member States it was a fulltime job, whilst in others the tasks took up around 5% of the National Coordinators time. The support offered to National Coordinators also varies, meaning that some systematically received support from colleagues, whilst others largely worked independently. National Coordinators were positioned in different parts of the national administrations and had different professional backgrounds, ranging from HR professionals within the administration's training departments, to auditors within specific units in the administration. This suggests that the definition of this role and its responsibilities varies greatly across national administration, which leads to different programme implementation, possibly resulting in different levels of participation in joint actions across participating countries.

The case studies provide further detail on which activities national tax authorities employed to raise awareness of the programme within the administration.

**Box 8 Examples from case studies**

**In Spain**, the National Coordinator made presentations about MLCs at the Spanish Central Office for Large Taxpayers. The presentations were targeted at auditors, who were either unaware of MLCs or of how MLCs were conducted. These presentations increased the auditors' interest in participating in MLCs. In addition, the National Coordinator raised awareness of the programme through more informal strategies such as bringing up Fiscalis 2013 activities during day-to-day conversations with colleagues.

**In Luxemburg**, the National Coordinator assessed that staff were generally aware of Fiscalis 2013 activities. That said, it was still necessary to raise awareness about upcoming activities in order to ensure participation. This was achieved in part by publishing all upcoming activities on the administration's internet site and in part by highlighting activities at management meetings.

**In the Netherlands**, an administrative set-up was put in place to raise awareness of Fiscalis 2013 activities throughout the administration. Concretely, the National Coordinator was assisted by three Fiscalis 2013 experts (for example MLC coordinators), flanked by a Fiscalis 2013 council and supported by 23 persons serving as Fiscalis 2013 contact points throughout the administration. This network was charged with ensuring effective dissemination of the programme's objectives and upcoming activities through meetings, intranet as well as directly taking contact to officials who would be particularly relevant for a specific activity. Additionally, this network has provided assistance to officials who wanted to participate in programme activities.

According to the general part of the survey, the awareness of Fiscalis 2013 was fairly good, with two thirds of the respondents being aware of the programme (see Annex 1, Figure 13). Of the people who know Fiscalis 2013, the majority (almost 70 %) assessed their knowledge to be basic or very basic (Annex 1, Figure 14). Despite their basic or very basic knowledge of the programme, most respondents state that they know where to find further information on it (see Annex 1, Figure 15 and Figure 16). This indicates that the tax officials can obtain more information about the programme if necessary<sup>71</sup>.

To conclude, raising awareness of Fiscalis 2013 within national tax authorities has primarily been done by the National Coordinators through the national administrations' intranet. The evaluation finds that the information on the programme has reached a large audience throughout Member States, although the knowledge of the programme's activities and objectives may still be limited. This suggests that although an overall awareness has been generated, the level of specific information on the programme's activities and objectives was limited. There were no indications that the limited extent to which respondents were aware of the programme provided an obstacle to its achievements.

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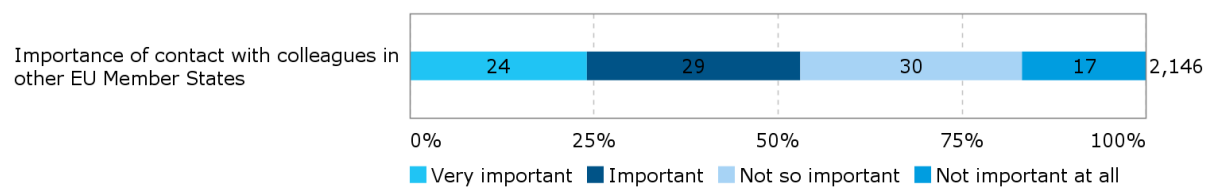
<sup>71</sup> The overall result on the questions on awareness and knowledge of the programme, are influenced by the overrepresentation of Polish responses (39,9%), however it is deemed likely that responses from other countries would have been similar, had the survey been distributed more widely in the administrations.

### To what extent has awareness of the programme contributed to increased levels of cooperation with other tax administrations?

According to key stakeholder interviews, awareness of the programme did increase participation in the activities and the activities increased cooperation between Member States. National Coordinators pointed out that more awareness led to more participation in Fiscalis 2013 activities which in turn led to more networking and/or cooperation. Although it was difficult for them to pinpoint how awareness increased levels of cooperation they suggested that the joint actions gave officials the opportunity to exchange ideas and establish personal contacts which often facilitated cooperation at a later stage.

As reflected in the figure below, more than half of the respondents (53 %) consider contact with their colleagues from other Member States to be very important or important for their regular work activities.

**Figure 13 How important is it for your regular work activities to be in contact with colleagues in administrations of other EU Member States?**



However, this consideration does not seem to translate into every day practice. Only about 15 % of the respondents were in a regular contact with their colleagues from other Member States and 40 % state to never be in touch with them at all (see Annex 1, Figure 9). In addition, contact with colleagues from non-EU countries is a rare occurrence (64 % were never in contact with non-EU colleagues; see Annex 1, Figure 10).<sup>72</sup>

The overall frequency of contact between officials is not the only, let alone the most important, aspect of increased cooperation. Another aspect of increased cooperation relates to whether officials are in contact with officials from a large number of Member States. The survey suggests that tax officials from the Fiscalis participating countries were more likely to be in touch with officials from other Member States than those officials who did not participate in the programme (see Annex 1, Figure 29). In other words, this indicates that the programme increases the likelihood of contacting officials in other Member States. The contact takes place primarily with other EU Member States' officials (according to 89 % of the respondents) whereas tax officials from candidate countries are contacted much more rarely (see Annex 1, Figure 30). This result is not surprising as contact between Member States is warranted by the existing networks and communication channels as well as more incentives to contact each other including legal obligations, a higher degree of exchange of information and larger trade flows (more transactions and movements to be monitored).

<sup>72</sup> The overall result on the questions on awareness and knowledge of the programme, are influenced by the overrepresentation of Polish responses (39,9%), however it seems likely that responses from other countries would have been similar, had the survey been distributed more widely in the administrations.

The case studies provide further detail on the dynamics between these networks and increased cooperation.

### Box 9 Examples from case studies

**In Spain,** it was noted that whilst informal contact did not replace the formal structures for administrative cooperation, it does have a somewhat intangible effect of participants, in that they become more internationally minded and able to solve problems across Member States in a quick, informal manner.

**In Hungary,** the participation in joint actions helped improve understanding of the legislation in force in other Member States (including rules / restrictions on sharing data), increased the sharing of good practices and developed contacts and networks in other administrations. The development of networks through these activities is considered to have had a significant impact on the flow of information between Member States, because the personal contacts helped identify the relevant individuals within the administrations of other Member States.

Additionally, the personal contacts may increase the willingness of participants to share information and increase the speed with which information is received. This contributed to improving administrative practices in the fight against VAT fraud and increased cooperation between administrations, due to the more information sharing between officials taking place.

Nearly 80% of the respondents used the programme activities to expand their network to tax officials from other Member States (see Annex 1, Figure 26). After the activity half of the participants regularly contacted the colleagues they met (see Annex 1, Figure 27). This contact was usually done via e-mail (according to 70% of respondents), while conversations on the phone were used by 3% of the respondents (see Annex 1, Figure 28). This indicates that the activities contribute to the growth in networks between officials across Member States.

The evaluators found that the awareness of the programme contributed to increased cooperation between Member States in particular because it helped foster networks between officials. The programme was frequently used to expand these networks to support the officials' work as the programme enabled them to share information, good practices and cooperate in problem solving.

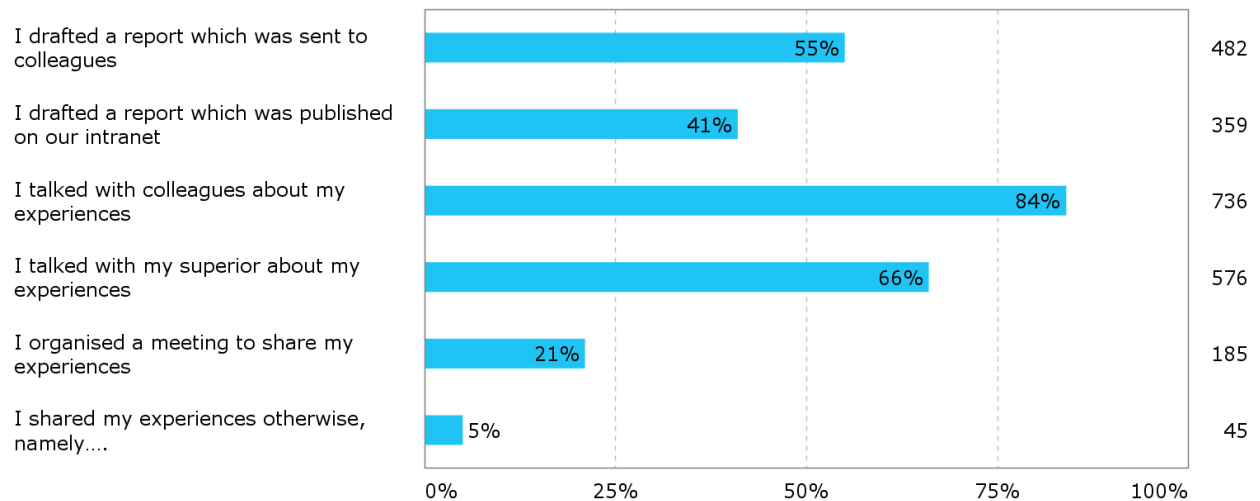
## Has knowledge gained through Fiscalis 2013 activities been shared within the national administration?

In relation to the sharing of outputs of programme activities within the national administration, the interviews with key stakeholders suggested that the Member States have different approaches to this, from obligatory reports after each activity to voluntary sharing. The most common approach seems to be that an obligatory report is drawn up by participants after an activity.

The interviews with National Coordinators suggest that they have been central to the dissemination of knowledge as they ensured that a report from the participants was either published on the national administrations website, or shared with the persons for whom it was relevant.

At the same time, the survey findings suggest that the participants in activities also contributed to the dissemination of knowledge. According to the survey, nearly all of those who took part in activities (96 %) shared their experiences with colleagues in one or several ways (see Annex 1, Figure 19). Most frequently, by talking to colleagues and superiors, but also through more targeted means, such as reports or organised meetings as shown in the figure below. According to the interviews, the reports were suggested to be the most frequently used way of sharing knowledge. One reason for the preference towards reporting was that it could be distributed easily through the administrations' intranet.

**Figure 14 How did you share your experiences of the activity with colleagues (multiple answers possible)?**



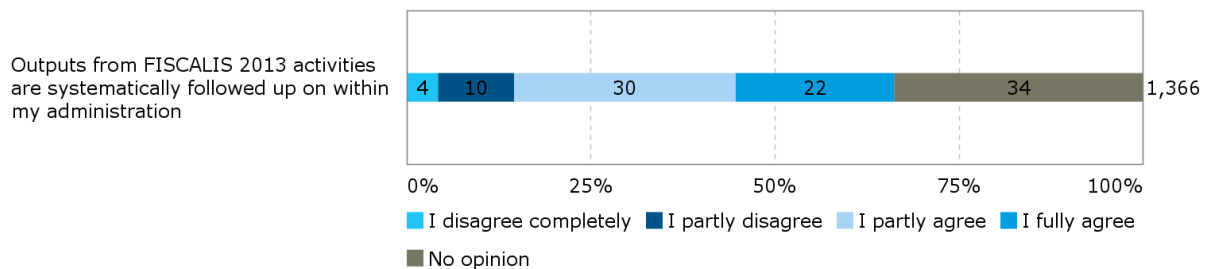
According to the survey, additional methods of sharing experiences mentioned included the inclusion of practices in every day work (7 responses), publication of articles in a journal or a newspaper (5 responses) and passing the knowledge on through training courses (5 responses).

As regards the coverage of dissemination activities within the administrations, it seems that respondents were fairly cautious in their estimations on the audience reached. Approximately 30% estimated that 5 or less colleagues benefitted, and a further 30% indicated a range between 5 and 10 colleagues, while almost 25% believed that over 16 colleagues had benefitted from their participation in programme activities (see Annex 1 Figure 21). Such relatively low coverage does not necessarily mean that the programme's outputs were not exploited, as this will ultimately depend who the

participants in a Fiscalis 2013 activity talked to. For example, these colleagues may be working in a specific tax area, or even on a specific tax procedure, which would indicate that programme outputs were shared with those who could derive the greatest benefit and who could put the output to use.

The survey results show that the follow-up of outputs from Fiscalis 2013 activities was fairly structured. About half of the respondents agreed or partly agreed that follow-up was systematic. It is worth to note that a large share (34%) of respondents had no opinion on this, probably because they did not know if or how follow up is done.

**Figure 15 Outputs form Fiscalis 2013 activities (e.g. seminars, workshops, project groups) are systematically followed up on....**



According to the general part of the survey the most used output was information such as documents and presentations from activities and feedback or advice from former participants, followed by reports and IT applications developed after the activities.

The case studies provide further detail on the use of different types of knowledge. Overall, they identified three key examples of how the knowledge gained through Fiscalis 2013 activities was put to use in Member States:

- Knowledge on legislation in other Member States, including implementation of the EU law, was sometimes used to assess the Member State's own legislative provisions and implementation of the EU law.
- Knowledge on the Tran-European IT systems helped improve the implementation or development of national IT systems. In particular, evidence suggested that this was the case with the EMCS.
- Personal contacts with other participants were used by officials to obtain additional information or clarification when needed.

### Box 10 Examples from case studies

In **Finland**, workshops and working visits were used to learn about the procedures and implementation of EMCS in other Member States, for example, to understand that certain requests sent through EMCS cannot be dealt with in another Member State because of their system configuration.

In **Hungary**, the EMCS e-Learning module developed by a project group helped users of EMCS to learn about its functionalities and procedures, which enabled the administration to use the system more effectively and efficiently. It also helped administrative co-operation between Member States.

In **Spain**, the seminars and training were regarded as very useful for the implementation of EMCS, particularly in helping officials becoming better acquainted with the system. This could, for example, include an explanation of the vast array of documentation or set out necessary technical specifications.



The findings from the case studies were largely reflected in the key stakeholder interviews, where National Coordinators explained that the knowledge was put to use in a range of ways including supporting national IT development, improving the application of EU law and contributing to improving processes in the national administration.

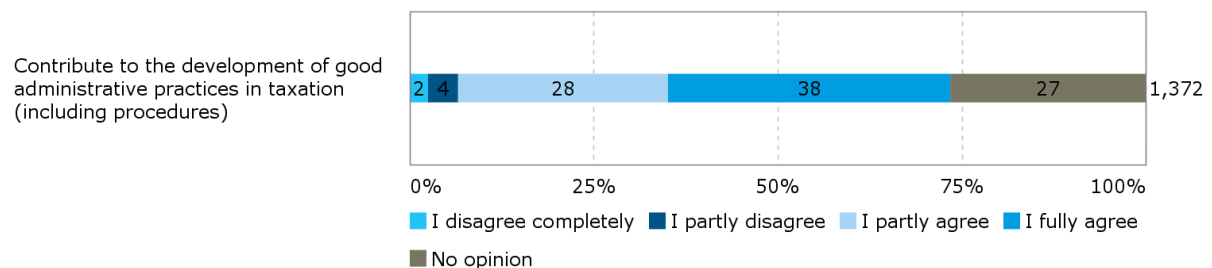
Overall, evidence shows that the knowledge gained through Fiscalis 2013 activities was shared and put to use in Member States. The use of the knowledge depends on the form which the output takes and the objectives that the specific activities have.

The evaluation found that use of the disseminated knowledge contributed directly to the programme's objectives supporting the implementation of EU law, facilitating the use of the IT systems and helping establish networks between officials across Member States.

### To what extent did Fiscalis 2013 activities lead to changes within the administration (institutional, procedural, behavioural, etc.)?

Fiscalis 2013 led to changes within national administrations in that it delivered information and knowledge on administrative procedures and practices, which ultimately resulted in adjustments in the national context. The figure below shows the assessment of the benefits related to participation in Fiscalis 2013 activities, with regard to the development of good administrative practices. Two thirds of participants agreed or partially agreed that the programme helped them improve their administrative practices.

**Figure 16 Fiscalis 2013 events and activities enabled...development of good administrative practices in taxation**



The key stakeholder interviews also indicated that procedures were adjusted after Fiscalis 2013 activities, for example procedural changes were often related to the implementation of legislation or to improving efficiency in the administration. The interviewees highlighted that these changes occurred in extension of working visits, project groups (focusing on a specific topic like e-Forms) and activities related to improving the implementation of legislation. However, the interviewees did not have solid evidence of such changes, as they were both incremental and difficult to link to the programme activities.

### Box 11 Examples from Member States

**In Spain**, the administration pointed to specific instances where information from activities was directly applicable to the daily work of officials. For example, seminars which presented the structure of tax administrations in other Member States contributed to ensuring that Spanish tax officials sent requests for information to the right office and made sure that the necessary information was included. This has helped make sure that the request could be handled with efficiency in the other Member State.

Within the area of Excise **in Luxembourg**, none of the interviewees assessed that seminars have contributed to changes in procedures in national administration, but they pointed out that seminars have helped Member States to share ideas on how they implement legislation and conduct their work, as well as on how they solve problems.

Within the area of Direct Taxation, **in the Netherlands**, one of the most notable contributions of Fiscalis 2013 was that the MLCs led to the sharing of information via formal and informal networks and that the sharing of good administrative practices ensured the better application of existing rules and allowed the Dutch administration to more effectively assess the correct tax liability. Ultimately, the MLCs were considered to reduce levels of tax avoidance and tax evasion as well as to improve the recuperation of tax payments due.

In extension of the evidence presented above, according to the survey to National Coordinators, 61% of the respondents find that Fiscalis 2013 has to a high degree contributed to exchange of good administrative practices in taxation (see Annex 2, Table 8). This was also confirmed by the majority of National Coordinators' interviews. Similarly, the majority of National Coordinators reported that Fiscalis 2013 also contributed to aligning administrative practices or procedures between the Member States' tax administrations (see Annex 2, Table 10).

In summary, although the details on the specific changes to national administrations are sparse, the evidence suggests that the Fiscalis 2013 programme did indeed contribute to positive procedural changes.

These changes manifested themselves primarily through Member States adjusting national procedures based on good practices from other Member States.

## Efficiency of Fiscalis 2013

In the following sections the evaluation analyse to what extent Fiscalis 2013 provided value for money, i.e. to what extent the programme was implemented efficiently. The question on efficiency has been broken down and operationalised in a set of sub-questions, as per below:

- What have been the costs of the activities of Fiscalis 2013 and were they justified in terms of outputs and their contribution to programme objectives?
- Were there areas where use of resources could have be improved?
- To what extent were online collaboration tools used?

The following section answers to the above questions by using data made available on budget and disbursements on different activities, as well as information collected from surveys, interviews and case studies.

### What have been the costs of the activities of Fiscalis 2013 and were they justified?

EUR 156.9m was committed to spend under the Fiscalis 2013 Programme over the six year period. Overall actual expenditure per year has been gradually increasing, from approximately EUR 15.3m in 2008 to EUR 31 m in 2013. This reflects increasing spending on the IT systems, which, according to the DG TAXUD IT unit evolved in line with an increase in operations and workload. This was also the case in the previous Fiscalis programme, during which IT expenditure broadly increased year on year over the period.

As in previous Fiscalis programmes, expenditure on IT systems accounted for the largest share of the budget (approximately 75% of actual expenditure). The detail of what was spent per year is set out in Table 17 Expenditure on IT, 2008-13 below. Between 2008-13, DG TAXUD noted that operations increased in terms of number of VIES messages and CCN network usage, and there was increasing amount of development and maintenance activity. Notable developments included the overhaul of VIES, the introduction of EMCS VAT Refund and TIN-on-the-web, expanding the functionality of e-Forms, as well as preparing for the Mini One Stop Shop.

**Table 17 Expenditure on IT, 2008-13**

Area	2008	2009 <sup>73</sup>	2010	2011	2012	2013	Total
<b>Fiscal systems<sup>74</sup></b>	4 404 862	9 892 071	8 830 846	12 907 716	15 310 360	13 095 000	64 440 855
<b>CCN</b>	4 798 778	3 857 419	4 620 514	4 904 947	3 317 236	5 000v000	26 498 894
<b>QA</b>	1 162 607	1 724 410	1 840 000	2 098 944	2 453 488	2 550 000	11 829 449
<b>Total IT</b>	<b>10 366 247</b>	<b>15 473 900</b>	<b>15 291 360</b>	<b>19 911 607</b>	<b>21 081 084</b>	<b>20 645 000</b>	<b>102 769 198</b>

Source: DG TAXUD R4 IT budget data

<sup>73</sup> EMCS expenditure was included under Fiscalis 2013 from 2009 onwards.

<sup>74</sup> Total Fiscal Systems includes total development costs as well as total operation and support costs.

Within the IT budget, expenditure on fiscal systems is the term used by DG TAXUD IT unit to cover the development, operation and support of the main IT systems related to VAT, Excise and Direct tax. As the costs of operation and support are common across all fiscal systems, it is not possible to break down costs of the IT systems per tax area.

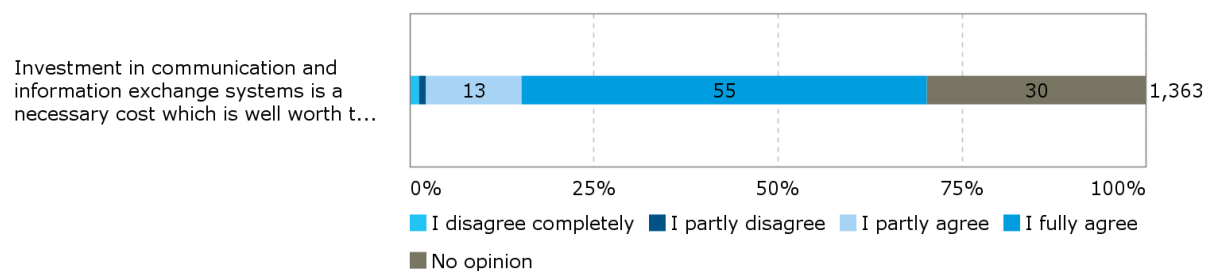
The CCN network supports the Trans-European IT systems by enabling closed and secure electronic information exchange, and it is therefore not surprising that operation and support of the CCN network accounted for a considerable proportion of total spending on IT, ranging between EUR 3.3 m and EUR 5 m per year. Cost of the CCN network were shared with Customs (approximately 60-65% depending on the year), the CCN budget in the table above only represents the costs covered by Fiscalis.

Quality assurance is performed by an external contractor and includes formal administrative tasks such as formal coordination of documents, ensuring that all comments are taken into account, and providing an independent view on quality once Member States have gone through conformance testing.

As the largest share of the Fiscalis 2013 budget was spent on IT systems, the primary focus of the evaluation was on these systems and their output when considering whether the costs of the programme are justified. A large proportion of the IT expenditure was committed to operation and support of the CCN network; considering that this Trans-European infrastructure supports the exchange of information between the Member States for all Trans-European IT systems, this investment would appear to bring strong benefits in terms of ensuring that all Member States can communicate quickly and securely.

The results for the survey to National Coordinators demonstrate that the investment in IT systems for exchange of information (VIES, EMCS, CCN/CSI, etc.) was regarded as highly valuable. 77% of respondents agreed that the IT systems were a necessary cost which was well worth the investment (Annex 2, Table 7). More than half the respondents to the survey to tax officials fully agreed that the investment in Communication and Information-Exchange Systems was a necessary cost, although 30% had no opinion on the matter.

**Figure 17 Opinion on cost of the IT systems**



In 2012 DG TAXUD sent a questionnaire to Member States with the objective of conducting a cost-benefit analysis of the major IT systems supported by Fiscalis 2013.<sup>75</sup>

<sup>75</sup>The questionnaires concerned VAT-related systems, EMCS, Recovery, Taxation on Savings and Direct tax e-Forms.

Questionnaires related to 5 IT systems were sent to 27 Member States and 84 replies were received (out of a possible 135). Difficulties identified related to calculation of costs of the IT systems included varying response rates from Member States and differences in accounting methods. For example, estimations from 17 Member States of costs related to the setting up and running EMCS between 2007 and 2011 varied between 1.1 m and 18.8 m EUR.

In terms of benefits, very few Member States were able to quantify these in monetary value. However, there were positive answers with respect to the impact of the IT systems on the efficiency of the administration. 10 out of 14 Member States considered that the efficiency of the administration had improved after introduction of EMCS, 10 out of 12 for VIES, and 9 out of 10 for VAT Refund. There were no further national cost benefit assessments or studies identified. 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.

DG TAXUD IT unit and several interviewed tax officials made clear that the Fiscalis 2013 IT systems could not be considered in isolation and that the value of the information exchanged must also be taken into account, in addition to any efficiency savings. This was corroborated by several users of the IT systems and National Coordinators during the case study visits, who made it clear that some systems must exist whatever the cost (e.g. VIES data on intra-EU supplies that was considered vital in the fight against VAT fraud).

From this evidence, it seems clear that the costs of the IT systems were indeed justified due to their high levels of usage and volume of information exchanged, their role in facilitating rapid, secure information exchange between Member States and the value of the information exchanged itself (i.e. information leading to tax reassessments and a reduction in fraud). The shared investment between the Fiscalis 2013 and Customs 2013 programme in the CCN network further increases the value for money of the common network, as it provides the single communication architecture for a number of IT systems. While it is evidently difficult to accurately calculate the costs or monetise the benefits of the various IT tools, stakeholders appeared to be widely convinced of the value of the IT systems.

**Table 18 Expenditure on joint actions, 2008-13**

Action type	Committed	Actual expenses	% not used
IT Training	2 820 000	1 690 135	40.06%
Multilateral Control	3 750 000	2 416 311	35.56%
Other <sup>76</sup>	165 000	33 269	79.83%
Project Group	2 925 000	1 466 833	49.85%
Seminar	6 884 500	3 996 661	41.94%
Steering Group	3 031 900	1 790 194	40.95%
Working Visit	10 250 000	8 774 828	14.39%
Workshop	4 252 600	3 227 921	24.09%
<b>Total</b>	<b>34 079 005</b>	<b>23 396 151</b>	<b>31.34%</b>

Source: ART2, Budget Monitoring Report 4

<sup>76</sup> The category "Other" includes items such as technical assistance or linguistic support.

Expenditure on joint actions accounted for approximately 22% of actual expenditure over the period. The table earlier sets out the budget committed per joint action versus actual expenditure. It should be noted that ART2 monitoring data should be interpreted with care as it used for indicative planning purposes.

Working visits accounted for the highest spending over the period, and also had the highest budget implementation rate. Multilateral controls accounted for the largest number of meetings over the period, although 35% of the budget was not used. This can be partly explained by lower participation levels from Member States in general in joint actions due to resource constraints imposed by the economic crisis (see section below on number of events). However, according to DG TAXUD these figures are for planning purposes only and it is likely that the percentage rate of unused funds will drop as the actual expenditure totals are updated.

These expenses correspond to a total of 1 657 events over the Fiscalis 2013 programme period. The number of events held under each type of joint action is shown below in Table 19 Number of events, 2008-13. MLCs accounted for the largest number of events (680 events held), followed by project groups (403 events held).

**Table 19 Number of events, 2008-13**

No. of events	2008	2009	2010	2011	2012	2013 <sup>77</sup>	Total
<b>IT Training</b>	27	31	37	40	30	23	<b>188</b>
<b>Technical Assistance</b>	0	0	0	23	33	21	<b>77</b>
<b>Seminars</b>	33	21	16	14	9	3	<b>96</b>
<b>Project Groups</b>	59	51	60	76	85	72	<b>403</b>
<b>MLC</b>	133	115	124	122	99	87	<b>680</b>
<b>Steering groups</b>	8	16	16	14	22	17	<b>93</b>
<b>Workshops</b>	13	11	22	24	28	22	<b>120</b>
<b>Total</b>	<b>273</b>	<b>245</b>	<b>275</b>	<b>313</b>	<b>306</b>	<b>245</b>	<b>1 657</b>

Source: ART2 Event and participant overview, DG TAXUD R3

The number of events related to project groups was steadily increasing over the period. However, this was not the case for all joint actions; the number of seminars was decreasing over the period. There was a similar decline in the number of seminars in the previous programme period, following a peak in 2004 (44 seminars held). TAXUD programme management indicated that the reasons for the drop in the current programme period were several, but that in general, the effects of the economic crisis meant that Member States tended to have fewer resources available to participate in the programme which was reflected in lower levels of participation in events.

In addition it was reported that towards the end of the period, VAT related to organisational costs for joint actions incurred by Member States were no longer reimbursed by Fiscalis 2013, which had a particular impact on the number of seminars organised. There were a few suggestions from tax officials interviewed during the case studies that seminars were less attractive owing to the cost involved with having to organise interpretation during seminars and ensuring appropriate meeting rooms are available.

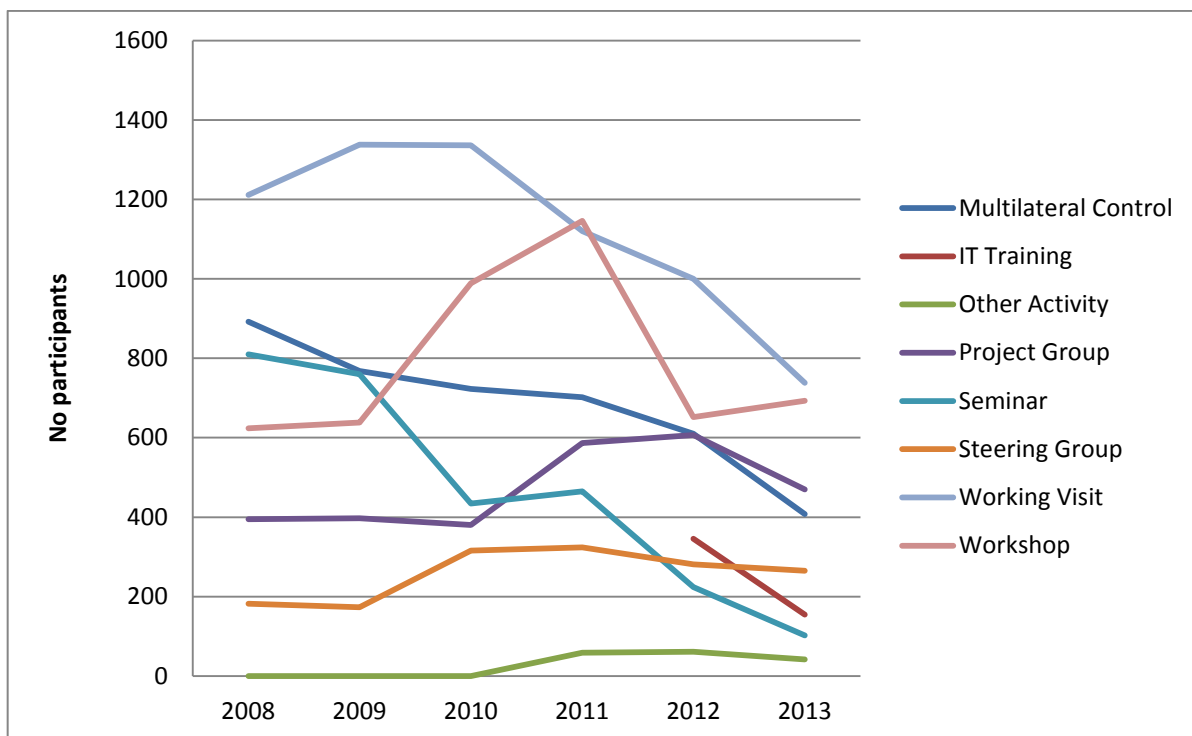
<sup>77</sup> 2013 figures last updated 05/11/2013

The number of MLCs also declined towards the end of the programme period, although not by a significant amount. There were few suggestions from stakeholders as to why this might be, although a number of MLC coordinators mentioned resource constraints when discussing the organisation of MLCs. The number of workshops remained fairly consistent over the period, although there was a slight rise in 2012, possibly as a result of absorbing the changes to the organisational costs of seminars leading to increased use of workshops as an alternative event.

In addition to expenditure on IT systems and joint actions, approximately EUR 4.2m or 3% of actual expenditure was spent on Training Activities (e-learning) which included modules on the EMCS, VAT Refund electronic procedure and the VAT Directive, aimed at both tax officials and economic operators.

Although joint actions accounted for a smaller share of the total programme budget, it is worth looking at participation levels in the various meetings supported by Fiscalis 2013. Additional effects should be taken into account such as the growth of informal networks or the value of the information exchanged. However, only taking participation into account, according to the ART2 reporting system, 23 423 officials participated in programme events over the period. The table below shows the total number of participants per action type over the programme period.

**Figure 18 Total number of participants 2008-13, per action**



Source: ART2 event and participant overview/DG TAXUD R3

Using this data on participation as well as budget information on what was spent on each type of joint action over the programme period, it is possible to calculate the cost per participant for each action type. It should be noted that a low cost per participant does not mean that the action type is more efficient than one with a high cost per participant, or vice versa. This is because the actions had differing objectives and merely looking at participation may not give a valid representation of benefits.

MLCs for example only had relatively few participants in the events themselves, leading to an apparent high cost per participant; however many more tax officials were involved



in the actual auditing work of the MLCs themselves, leading to greater participation levels than recorded. The overall high benefits of MLCs should also be taken into account, in terms of revenue collected or correct tax liability calculated. The reported amount from approximately 85% of closed MLCs translates to a ratio of almost EUR 1:1350 (ratio between EUR 2.41 million actually spent on MLCs and EUR 3.26 billion of taxes due identified and reported). In addition, the overall budget available for Fiscalis 2013 was equivalent to 5% of the amount of EUR 3.26 billion of taxes due reported in the MLC reports. The figures on MLC results cannot be verified independently, nor is it possible to further define if it concerns amounts actually recovered or taxes due by not yet recovered. But the evaluation assess it likely that the overall economic benefits of all Fiscalis 2013 activities and tools were higher than the amount of taxes identified and reported in the MLC reports, taking into account qualitative and anecdotal evidence from the evaluation.

Considering the overall cost per participant was less than EUR 1000, the figure seems to be very reasonable in the evaluator's judgement, given that this includes travel and subsistence expenses, as well as necessary organisational costs, including linguistic support, for meetings such as seminars. In addition, it covers events of various durations (which could be several days).

**Table 20 Cost per participant 2008-13**

Action	Participants	Expenditure	Cost per participant (EUR)
IT Training	4103	1,690,135	412
Multilateral Control <sup>78</sup>	501	2,416,311	4823
Other	162	33,269	205
Project Group	2836	1,466,833	517
Seminar	2795	3,996,661	1430
Steering Group <sup>79</sup>	1541	1,790,194	1162
Working Visit	6743	8,774,828	1301
Workshop	4742	3,227,921	681
<b>Total</b>	<b>23423</b>	<b>23,396,151</b>	<b>999</b>

Source: ART 2 event and participant overview, BMR4/ own calculations

Results from the survey to National Coordinators show that the costs of Fiscalis activities<sup>80</sup> were considered to be reasonable. Over half of the respondents agreed to a high degree that participation in the activities carried out under Fiscalis 2013 were a reasonable cost for tax administrations (33% - to some degree). In addition, it was generally not considered that the Member States could organise meetings themselves more cheaply, 44% of respondents did not agree at all with the statement that the same activities would cost less if organised and funded by the Member States themselves, although 23% did not know (Annex 2, Table 7).

<sup>78</sup> NB: A participant can take part in several MLCs, but would only be counted once as participant, thereby inflating the cost per participant.

<sup>79</sup> Ibid above comment.

<sup>80</sup> Includes IT systems and joint actions.

The need to ensure value for money was pointed out by one National Coordinator: "I think people are now more aware of producing results of the money spent."<sup>81</sup> However, the value of face-to-face contact was widely mentioned during interviews with tax officials who had participated in meetings, and the cost of physically travelling to meetings was considered worthwhile, given that it helped to foster good relationships between participants and ensured that useful discussion of topics could take place during meetings.

Expenditure on IT systems accounted for the largest share of the Fiscalis 2013 budget. Although there was limited quantitative evidence available from national cost-benefit analyses, qualitative evidence overwhelmingly suggest that the costs of the IT systems were justified. Taking into account the high levels of usage of the systems, the reported increased efficiency of information exchange, as well as the value of the information exchanged itself, the qualitative evidence clearly shows that investment in the IT systems was worthwhile and necessary. Furthermore, anecdotal evidence on tax recovered and tax evasion prevented support the above conclusion.

While the development of the "national domain" (i.e. national IT interfaces and applications) was the responsibility of the Member States and therefore not financed by the programme, Fiscalis 2013 encouraged collaboration to help Member States prepare for such development.

Joint actions and training initiatives involved large numbers of tax officials over the programme period, and facilitated valuable face-to-face contact. The costs of organising these events seems reasonable given the value of information exchanged and in some cases the correct tax calculated or additional revenues collected as a direct result (MLCs).

Overall, the achievement of specific and overall objectives was assessed as high, further justifying the costs. It can thus be concluded that costs for Fiscalis 2013 do seem justified, when considering the outputs and outcomes produced by the programme.

### **Were there areas where the use of resources could be improved?**

The CCN/CSI network was jointly funded with the Customs 2013 programme<sup>82</sup> and this represented a considerable joint investment, enabling a wide range of IT systems to exchange information securely. As the DG TAXUD IT Master Plan explains, operating within this single system and architecture shared with Member States, yielded many direct savings, as the Trans-European systems used the same means of exchanging information.<sup>83</sup> It appears that considerable effort was made to ensure that the common IT systems were developed and run with efficiency as a key objective.

However, there were some technical issues identified regarding the interoperability between EMCS and customs procedure for export. DG TAXUD explained that the IT specifications were not very clear in this regard, and that there had been separate development of customs and taxation processes. Temporary practical solutions were in place at the time of data collection, and the objective of improved coordination of taxation and customs procedures was being dealt within the Fiscalis/Customs 2013 project group. This group was one of the largest project groups, and invited officials

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<sup>81</sup> Interview, Fiscalis National Coordinator.

<sup>82</sup> Between 60-65% of the costs of the CCN network were covered by Customs, depending on the year, according to the Commission.

<sup>83</sup> 2013 Information Technology Master Plan, Version 1.8, p. 17.

from both programmes to encourage coordination and collaboration between the programmes.

Respondents from case studies suggested that video conferencing could be used more often for certain preparatory or follow up meetings, for example when following up on project groups. This could replace physical travel, and face-to-face meetings could happen only when absolutely necessary. On the other hand, informal meetings attended in person were frequently identified by tax officials and Commission officials as an area where Fiscalis 2013 really added value, and reducing the amount of travel and therefore face-to-face contact could jeopardise one of the key outputs of the programme.

The scarcity of resources available at Member States level to finance national IT systems was widely considered by interviewed administrations to be a strong driving factor for increased efficiency. One priority area mentioned both by DG TAXUD and Member States was IT collaboration. This could involve Member States working together to develop common tools or national applications, rather than developing 28 separate applications. For example, in 2013, a group of Member States, coordinated by Malta, were working together to develop common specifications for the national system of the VAT Mini One Stop Shop.<sup>84</sup> The rationale of collaborating on common national systems or “borrowing” other systems was that costs of development could be minimised, although Member States had to be willing to give up a certain amount of flexibility in terms of functionality, i.e. designing the system to meet their precise business goals.

The Fiscalis project group to support IT collaboration provided a forum to encourage this type of projects, and many other fields related to IT governance, IT architecture and cost-benefit analysis. With Member States working together to meet business goals in terms of functionality, DG TAXUD staff suggested that it could play a coordinating role. They further underlined the fact that there was room for more harmonisation between Member States, as similar functionality was often needed in the area of both taxation and customs.

A number of tax officials and IT staff indicated that the use of shared development models would be a way to respond to the increasing need for efficiency. For example, a single operational platform for EMCS, could mean that Member States could obtain the necessary national interface at reduced cost, although in these cases it was considered that a critical mass of countries would be necessary to make the project worthwhile.

The evaluation was not able to identify any specific areas where resource use could have been improved within Fiscalis 2013. However, increased cooperation between Customs and Fiscalis programmes for improved interaction between certain key processes was identified as one area that could have been improved.

The use of online collaboration tools was seen as a positive development, although its benefits were still considered not to have reached full potential owing to a relatively limited user base. There were some suggestions that video-conferencing could replace some non-essential face-to-face events in order to save costs; however, the value of such informal contact between officials was repeatedly highlighted as an area where the programme has really added value.

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<sup>84</sup> Fiscalis Project Group on IT Collaboration (FPG083), Minutes of Meeting held on 17-18/01/2013.

There were indications that Member States could use resources more efficiently when collaborating on the development of national applications; for example the collaboration project on the Mini One Stop Shop application which was ongoing at the end of the programme period.

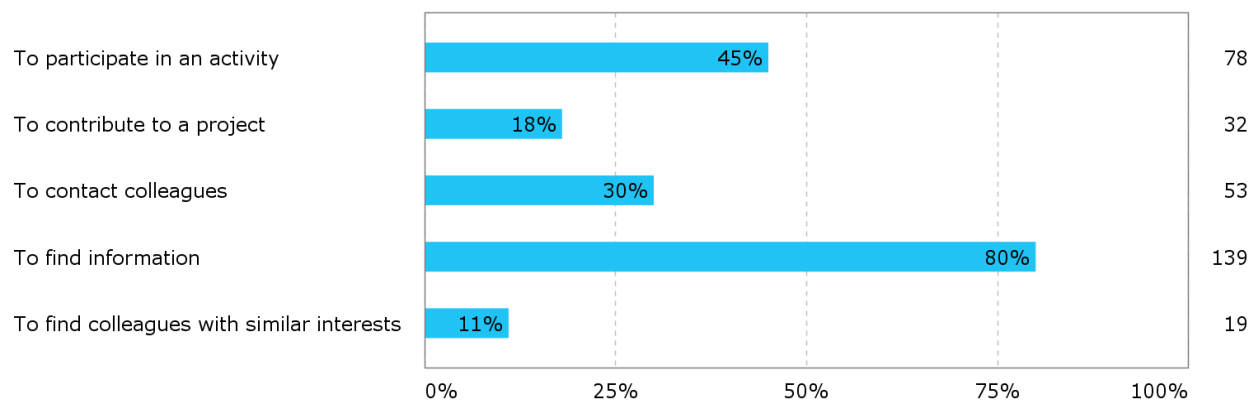
### To what extent have online collaboration tools been used?

PICS (Programmes Information and Collaboration Space) was launched in 2012 for use by both the Fiscalis and Customs programmes to facilitate information sharing on programme activities and to develop the network between the officials. It also aimed to foster collaboration on projects between stakeholders by providing a common working space, and was seen as a positive development towards the more efficient uses of resources.

The survey responses suggest that awareness of the tool was quite low among respondents. Only 24% of the tax officials taking part in the survey were aware of PICS (Annex 1, Figure 31). Of those 24%, approximately half were registered on the platform, the majority for more than one year (Annex 1, Figure 32). More than half of those registered on PICS reported to use it at least on a monthly basis, with the remaining 44% using it more rarely.

PICS was primarily used to access information (80% of the PICS registered users), as well as to participate in an activity and to contact colleagues. It seems however, that opportunities to contribute to a common project or find colleagues with similar interests via the platform were less commonly used.

**Figure 19 For what purpose do you use PICS?**



Evidence from the case studies indicated that, while officials were aware of the tool, its usage was still fairly limited and a critical mass of users had not yet been reached. There were indications that the implementation had been somewhat problematic, with several planned functionalities, such as an e-conferencing tool for online meetings, not taking off as intended. Some users indicated that they only had limited authorisation to access certain groups, which did not help towards the objective of sharing information.

In addition, some officials suggested that there was ambiguity with regards to whether PICS was a formal or informal application or both, leading to uncertainty as to how users should behave on it. In addition many tax officials were unsure as to how it should fit in with other application such as CIRCABC (Communication and Information Resource Centre for Administrations, Businesses and Citizens). As such, suggestions for improvement included ensuring that a clear vision for PICS was communicated to users and further guidance provided as to whether it should be for official documentation or information.

However, many positive features were identified. The forum threads were judged to be a useful feature for users who wanted to learn about new topics, and the user profiles with photos were considered to improve communication between colleagues during and after joint action meetings. Officials generally had a positive attitude to PICS, and it was consistently suggested that its usefulness would increase as the number of users increased.

It can be concluded that PICS has not been used to any great extent under Fiscalis 2013. This is not surprising given the rather recent implementation of the system (in 2012). However, results also indicate that currently PICS is mainly used by key involved stakeholders such as Fiscalis National Coordinators and tax officials who are more regularly involved in programme activities, so if there is a wish to increase outreach and use the tool for networking, it will be necessary to undertake active marketing activities.

## The EU added value of Fiscalis 2013

In the following sections, the evaluation analyses to what extent Fiscalis 2013 can be considered to have added value to the functioning of the tax systems at the EU level. In the terms of reference, EU added value was specified as the additional gains stemming from acting at the EU-level as compared to a national initiative, a multilateral or even another international initiative, in terms of achieving specific objectives. This overall question has been broken down and operationalised in a set of sub-questions:

- Could the same or better results have been achieved in national and/or bilateral initiatives?
- Has the programme complemented other national or international initiatives, thereby increasing overall effects and impacts?
- What was the contribution of Fiscalis 2013 to the functioning of the internal market?
- Is it likely that the results achieved by Fiscalis 2013 could have been achieved at a lower or equal cost by other means (national/ bilateral cooperation)?
- Is it likely that a higher or equal reduction of administrative burden could have been achieved without Fiscalis 2013?
- To what extent and how have the human networks created by Fiscalis 2013 contributed to a common administrative culture among tax officials in Europe?
- What would be the consequences of no longer funding Fiscalis programmes?

The following section answers to the above questions by using findings presented in earlier in the report and analysing them from an EU added value perspective.

### Could the same or better results have been achieved in national and/or bilateral initiatives?

During the programme period, the core output of Fiscalis 2013 was the exchange of electronic tax-related information between Member States. This information exchange took place via Trans-European IT systems<sup>85</sup> and was supported by the Common Communication Network/Common Systems Interface (CCN/CSI) which was maintained and operated by DG TAXUD with the aid of external contractors. This network allowed (and still allows) rapid, secure information exchange between Member State tax administrations.

The CCN/CSI is used by many Trans-European IT systems and provides a single architecture through which information can be exchanged. Common functional and technical specifications enable each Member State to connect to the system via a national gateway, and ensure that the information is exchanged in a common format that is recognisable by all. DG TAXUD's IT unit plays an important coordination role in developing these specifications and planning and testing the nationally developed applications.

The rationale for having this common network (28 national applications plus the necessary central application) was to ensure that *all* Member States could participate in information exchange and ensure the implementation of EU tax law in the respective tax areas. Evidence collected during stakeholder interviews suggests that **without an EU**

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<sup>85</sup> Trans-European IT systems span all Member States and are supported by common functional and technical system specifications, and by the CCN/CSI. Most of the IT systems operated by DG TAXUD are Trans-European systems (e.g. Transit and Excise control systems).

**wide programme such as Fiscalis 2013, to develop these systems commonly, ensuring the necessary interoperability between Member State applications would be very challenging in terms of technical sophistication and associated financial cost.** In addition, the importance of having the programme finance common infrastructure (i.e. the Common Communications Network/ Common Systems Interface which enabled information exchange for all trans-European IT systems) was emphasised as contributing towards equal access to exchange of information.

Moreover, it was estimated that **Fiscalis 2013 joint actions added value by bringing together the Member States in a manner conducive to the common development of IT tools which were relevant and useful for all, facilitating compliance with the EU tax law.** Additionally, such joint actions were used to support the development of legislation, for example through developing in the programme workshops the standard VAT return form, necessary for the functioning of the Mini One Stop Shop.

IT monitoring data provides clear evidence that the systems were well used and the case studies indeed identified large user populations within Member State tax administrations for many key IT systems such as VIES and e-Form applications. (see section on usage of IT systems for further information).

This was particularly important for certain programme objectives, such as the fight against fraud. Information exchange between all EU countries using **IT systems supported by Fiscalis was considered vital in order to enable the tax officials to better monitor intra-EU transactions or movements, and assess associated tax due.** More than 500 million messages per year related to cross border transactions made by traders within the EU were exchanged between tax administrations using VIES. Evidence from the case studies showed that auditors working with businesses considered the information from VIES as an important tool to help combat VAT fraud, and could not see any alternative to the Trans-European IT system to provide a similar service.

While there were initiatives identified to enhance the exchange of tax information between certain countries, either on a bilateral or multilateral basis, exchange was usually considered complementary to Fiscalis 2013. Benelux countries, for example, take part in enhanced tax information exchange, which includes facilitation of information exchange between the special anti-tax fraud units as well as the development of common risk and analysis models. However, this cooperation builds on close historical regional cooperation within the Benelux Union and takes place in addition to participation in Fiscalis 2013. In other words it is not designed to substitute in any way core electronic information exchange facilitated by Fiscalis 2013, or cooperation through joint actions open to all participating countries.

The other example identified was related to cooperation between countries to help combat international tax evasion: the Nordic working group to fight tax evasion (NAIS). This consists of representatives from tax authorities in the five Nordic countries, with the objective of entering 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 and was considered supplementary to what was exchanged between all Member States using the IT systems.

While enhanced cooperation between groups of countries was identified, no form of cooperation gave the Member States equal access to information, which can be considered as Fiscalis' unique and important value added. Indeed, looking at how IT systems were used by Member State tax administrations show that the potential to have secure information exchange between *all* Member States was vital. While administrations may have had more frequent contacts with certain Member States for historical reasons



or due to geographical vicinity, at the same time, operating in a single market, they needed to be able to communicate equally with all of them.

Taking into account the evidence collected, the evaluators assess it is highly unlikely that same or better results could have been achieved under national or bilateral initiatives, and that there were no available programme substitutes.

It was clear from the case studies that tax officials needed the IT systems to ensure potential information exchange with all Member States, and that certain programme objectives such as the fight against fraud could not be met without this capability.

While groups of countries may well be cooperating closely for many reasons, the single market necessitates connection between *all* Member States. Fiscalis 2013 is judged to be providing this service very well, providing means to develop common IT systems to exchange information between *all* EU countries, to organise joint actions open to all participating countries and to underpin the effective implementation of the EU legislation within taxation. The evaluators therefore judge regional and bilateral initiatives to be complementary to Fiscalis 2013, rather than offering any real alternative to the programme.

### **Has the programme complemented other national or international initiatives, thereby increasing overall effects and impacts?**

The evidence collected show that Fiscalis 2013 operated in a complex context populated by national and international initiatives (see section on national/bilateral initiatives. IOTA and OECD are mentioned below), which influenced the programme's delivery of effects and impacts. **Overall, it is the evaluators' assessment that the interaction between the programme and these initiatives primarily supported Fiscalis 2013 in its achievements, and contributed to increasing the programme's overall effects and impacts.**

On a national level, evidence collected from key stakeholder interviews indicated that national initiatives complemented Fiscalis 2013 in three main ways. Firstly, national initiatives contributed to the formation of pockets of expertise in certain areas, such as auditing or specific IT applications. As an example, national initiatives enhancing auditing skills of tax officials complemented the programme by strengthening the MLCs, which benefited from the high level expertise of the participating auditors. Another example came from the national initiatives to upgrade or further develop an IT application, and this experience was subsequently shared as best practice through programme activities with other Member States.

Secondly, when national initiatives focussed on developing and maintaining effective national IT systems which complemented the use of the Trans-European systems, Member States noted an increased effect of the IT systems supported by the programme, for example some case study countries had integrated information from VIES into the workflow software of tax officials, which meant that the information could be more readily accessed and used to run useful reports. At the same time, the opposite was also true - i.e. when national IT systems lagged behind, it became difficult for the Member States to realise the full potential of the Trans-European IT systems, for example with regard to using it to identify risks or irregularities, or ensuring that the most up-to-date information was accessible.

Thirdly, Member States often prioritised sending participants to programme activities which were closely related to or aligned with national priorities or initiatives, thereby enhancing the EU Added value of the activities. When the joint actions provided by the programme were aligned with national initiatives being implemented in the administration or a national priority, this was more likely to encourage officials'

participation as the interest and potential utility of the actions were much more tangible for the participant.

To conclude, it can be reasonably argued that the national initiatives did increase the overall effects of Fiscalis 2013, while the opposite was also true, namely that Fiscalis 2013 also increased the effect of national initiatives.

The quote included below is representative for several interviews including those conducted as part of the case studies. *"In [Member State] our business plans are geared towards combating fraud and reducing administrative burden and identified as national targets, so Fiscalis contributes to this."* National Coordinator.

As exemplified by the quote, the evidence collected shows that when objectives of national initiatives and Fiscalis 2013 activities were aligned, the impact of both was maximised. An example of this was that a national initiative in two case study countries aimed at reducing the grey economy in the construction sector, which resulted in prioritising participating in MLCs which tackled the issue of fraud in the construction sector.

Based on the above, **it can be concluded that there were synergies between national initiatives and the programme which simultaneously strengthened both.** In other words, although the results of both Fiscalis 2013 and national initiatives could have been delivered independently from each other, the effects would not have been as strong.

Moving on from how national initiatives complemented the programme to how it was complemented by international initiatives, findings from case studies and key stakeholder interviews suggest that two international initiatives, in this case two organisations, complemented Fiscalis 2013, namely the Intra-European Organisation for Tax Administrations (IOTA)<sup>86</sup> and the OECD. Both of them organised events on tax related themes similar to those of Fiscalis 2013 and targeted the same audience. This also led to an exchange of working methods, knowledge and best practice that took place between Fiscalis 2013 and both IOTA and the OECD – either through participants or through seeking inspiration from each other on a project level.

The interaction between Fiscalis 2013 and IOTA was identified as primarily a driver for the programme's achievements. Both Fiscalis 2013 and IOTA aimed at improving co-operation between tax administrations, and in the case of IOTA the most recent figures from the organisation show that 23 events involving 828 participants were held in 2011. These events were targeted at tax officials in 46 European countries and were organised on topics such as risk management, application of tax treaties and technical events related to data mining or software. Compared to the 313 activities with 4403 participants held in 2011 by Fiscalis 2013, this is considered as fairly small.

With regard to the topics covered by the events, there is indeed some overlap between Fiscalis 2013 and IOTA. The potential competition between the two programmes was suggested by the case studies, which indicate that the topics and participants largely overlapped with those of Fiscalis 2013 and that as such effects of the IOTA may be intertwined with those of Fiscalis 2013. Hence, some of the observed impacts on

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<sup>86</sup> IOTA is an intergovernmental organisation with members from 46 European countries, which seeks to provide a forum for the discussion of practical tax administration issues. The organisation's 2014 work programme includes 32 activities and events across a range of tax areas.

information exchange cannot be solely attributed to Fiscalis 2013. In particular, evidence from the case studies shows that IOTA has contributed to the multilateral exchange of targeted information via formal and informal networks, because the organisation also puts tax officials into contact with each other and besides this, facilitates the exchange of best practices through workshops.

However, a crucial difference was that Fiscalis 2013 supported the understanding and implementation of the EU tax law and therefore the events taking place were underpinned by and designed for better implementation of the legal framework surrounding the programme. Fiscalis activities were therefore better targeted and helped the participants establish the terms of the necessary administrative cooperation and exchange of information, as well as work out the practical arrangements to cooperate with most effectiveness and efficiency.

Moreover, it is important to note that IOTA does not develop or deliver the IT systems and thereby the very way of information exchange and cooperation. On this basis therefore, it can be concluded that IOTA's initiatives were by no means in competition to the programme's activities and the seeming level of overlap, limited to the joint actions, cannot be considered as 'diluting' the very contribution of the Fiscalis programme. On the other hand, it can be argued that IOTA's initiatives further strengthened the achievement of Fiscalis' objectives, by providing an additional forum to develop networks and broader exchange of best practices in the area of tax cooperation, which consolidated Fiscalis' achievements. At the same time, this complementarity may not have been exploited to its fullest potential, as interviews with key stakeholders indicated that the coordination between the programme and IOTA was limited.

With regard to the OECD, the evidence of its influence is more limited. Some National Coordinators did indeed suggest that OECD has contributed to the achievements of the Fiscalis 2013 programme (e.g. through delivering training sessions and events on similar topics to Fiscalis 2013, such as transfer pricing issues, best practices in tackling VAT fraud and approaches to international cooperation during tax investigations.). Since the scope and reach of the OECD activities is even broader than IOTA's, there is no credible evidence to suggest any significant influence over Fiscalis' operations.

In summary, it is the evaluators' conclusion that national and international initiatives did indeed increase the effects and impacts of Fiscalis 2013 by complementing and providing input to the programme through expertise, experience and concrete outputs.

This is true in particular for the national initiatives, where Fiscalis 2013 has been instrumental in supporting national initiatives and vice versa. At international level the findings are less tangible, but indicate that synergies are being utilized and complementarity exists.

However, the unique focus of Fiscalis on the development and support of EU tax law means that IOTA activities were not in competition to Fiscalis 2013 activities. While there was some indication that OECD activities did contribute to the achievements of Fiscalis 2013, there is little evidence to suggest that there was any significant influence on the achievement of Fiscalis 2013.

## What was the contribution of Fiscalis 2013 to the functioning of the internal market?

**Taking into account evidence provided earlier in the report, the evaluation can conclude that Fiscalis indeed contributed to the effective functioning of the internal market.**

The need for electronic information exchange was recognised in the Monti report on re-launching the Internal Market: "Automatic exchange of tax information and in general cooperation between tax administrations of the Member States should also be improved in order to make tax collection more effective and fair."<sup>87</sup> In addition, the Action Plan developed in 2012 to strengthen the fight against tax fraud and tax evasion<sup>88</sup> indicates that there was a need to ensure that the framework for administrative cooperation in the fields of VAT, Direct tax and Excise was fully implemented and applied.

The majority of National Coordinators (78%), when asked to assess the overall impact of the programme on the internal market, agreed that Fiscalis 2013 activities contributed to a high or some degree to an effective functioning of the taxation systems in the internal market. In particular the National Coordinators highlighted cooperation in Excise and VAT, where automated exchange of information has been made available by the Fiscalis funded IT systems, VIES and EMCS.

These findings were supported by case studies and other sources, emphasising the importance of the IT systems to reduce administrative burdens, combat fraud and tax evasions and well as to support the implementation of EU law in taxation.

Regarding Direct Taxation, the findings were less conclusive, with automatic exchange only taking place regarding interest on savings.

Administrative cooperation has been supported by Fiscalis with the development of e-Forms and with joint actions targeting specific topics in the relevant tax fields. The support to **administrative cooperation through IT tools and joint actions, has clearly contributed to simplified procedures for tax administrations, improved revenue collection and a more uniform way of sending and receiving requests.**

Regarding the fight against fraud, **MLCs was seen as instrumental by many respondents as an efficient tool to fight fraud and tax evasion.** Another example of **strong Fiscalis contribution to internal market objectives was the establishment of EUROFISC**, as a platform targeting VAT fraud explicitly.

Based on the above findings, the evaluators assess that Fiscalis 2013 is likely to have contributed to the effective functioning of the internal market. The systems put in place by Fiscalis clearly contribute to a more effective monitoring and control of the internal market. Taken together, the achievements of Fiscalis 2013 have a clear link to improvement of the internal market, as effective and fair taxation systems are prerequisites of a well-functioning internal market.

<sup>87</sup> A New Strategy for the Single Market: At the Service of Europe's Economy and Society, Mario Monti, 9<sup>th</sup> May 2010, p. 80.

<sup>88</sup> 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.

### **Is it likely that the results achieved by Fiscalis 2013 could have been achieved at a lower or equal cost by other means (national/ bilateral cooperation)?**

Currently, approximately 60 European IT applications/systems use the CCN network, an approach which, according to DG TAXUD, has yielded savings as a result of the sharing of the same infrastructure and service structure.<sup>89</sup> In addition, DG TAXUD has implemented a strategy to use external contractors and framework contracts to ensure that the operation and support of the network and various applications was done as efficiently as possible. Given the level of common development and the subsequent efficiency savings made possible by the Trans-European IT systems systems and the CCN itself, it appears unlikely that the same results could have been achieved by national or bilateral means.

Common tools such as the e-Form application for Direct tax (e-FDT) were developed for use by all Member States. This strategy to develop common tools where possible, in order to take advantage of the associated cost savings, was also underlined by DG TAXUD. This was the case, for example for common conformance testing tools (to help Member States ensure their systems meet the necessary functional and technical requirements). A National Coordinator pointed out that if there were no Fiscalis programme, relying on national budgets would introduce an increased level of risk. *"We would have to bear the cost nationally, but reduced IT systems and depending on the country's finance will open up holes. I honestly feel you need common and secure approach."*

As discussed in the section on the costs of Fiscalis 2013, **taking into account the large amounts of information exchanged using the IT systems, the large user population among tax officials and the value of the information exchanged in terms of ensuring revenue collection, the costs of the IT systems seem to be largely justified.** This was also the case for joint actions; while the cost per participant varied considerably between action types, there clear benefits when looking at the broader impact of contacts between officials or additional revenue collected, fraud prevented or tax liability properly calculated (particularly in the case of MLCs).

The lack of alternatives to Fiscalis 2013 makes it challenging to compare the costs to any other scenarios. It is worth putting the limited amount available to fund Fiscalis 2013 (EUR 156.9m over 6 years) into perspective by considering the value of the information exchanged that the programme enables. If we consider for example, **the high volumes of intra-EU trade in goods alone,<sup>90</sup> the utility of a programme to help monitor the trade and ensure that the associated tax can be properly collected becomes evident. In the area of VAT for example VIES was considered the only way to exchange the information necessary ensure that VAT on intra-EU transactions could be properly monitored.**

The results for the survey to National Coordinators demonstrate that the majority of respondents (77%) considered to a high degree that the IT systems were a necessary cost which was well worth the investment (Annex 2, Table 7). For the joint actions, it was generally considered that the Member States could not have organised meetings themselves more cheaply. 44% of respondents did not agree at all with the statement

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<sup>89</sup> The CCN network is also used by the Customs IT applications to exchange information securely.

<sup>90</sup> In 2012, trade in goods alone between EU Member States was valued — in terms of dispatches — at EUR 2,840,337 million. Intra EU-28 trade, 2012, Eurostat (DS-016894).

that the same activities would cost less if organised and funded by the Member States themselves, although 23% did not know (Annex 2, Table 7).

Finally, there were relatively few areas identified during the evaluation where the use of resources could be improved. There was some evidence to suggest that cooperation could be improved between EMCS and customs procedure for export, as common specification had not been sufficiently developed. In addition, during case study visits, there were some suggestions that video conferencing could be used to replace certain preparatory or follow up meetings. However, these potential savings would be fairly minor relative to the budget for all Fiscalis activities.

Taking into account the outputs of the programme, the evaluators assess it highly unlikely that same or better results could have been achieved at a lower cost with other mechanisms or instruments. As mentioned earlier, there are no clear other national, bilateral or international initiatives which could replace or substitute the support which has been provided in Fiscalis 2013.

It is assessed that the costs of the IT systems were justified given their levels of usage, and the value of the information exchanged. Similarly, as discussed in the section on costs, the joint actions were considered to be organised at a reasonable cost particularly when considering their more intangible outputs such as the development of informal networks between tax officials.

Overall, the programme enabled a high level of common development and maintenance cost, leading to economies of scale and likely cost savings, although no tangible evidence could be provided to this end (due to lack of comparison).

### **Is it likely that a higher or equal reduction of administrative burden could have been achieved without Fiscalis 2013?**

It was generally considered that IT systems supported by Fiscalis had a very positive impact on the reduction of the administrative burden for administrations. This **was mainly related to the elimination of paper, thus reducing the workload, simplifying the procedures and the use of e-Forms** to ensure that information could be exchanged in a more standardised format.

#### **Box 12: Examples from case studies**

For example, **the Netherlands, Luxembourg and Finland** highlighted that the SEED-on-Europa application was estimated to have a positive impact on ensuring that checking the validity of an Excise number is as simple as possible for economic operators. This reportedly resulted in a reduced workload for the administrations, because economic operators could use the Europa system rather than call or email the national administration to verify the validity of an Excise number.

In addition, Fiscalis 2013 contributed to reducing the administrative burden for economic operators, in particular through the implementation of the EMCS, VAT Refund and VIES-on-the-web. In relation to the EMCS, a 2013 survey<sup>91</sup> of traders highlighted that the

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<sup>91</sup> Commission staff working document accompanying the report on the functioning of the arrangements for the computerised supervision of Excise movements under duty



system delivered a number of administrative advantages for economic operators including reduced handling of paper documents, achieving faster termination of Excise suspension procedures, smaller margin of errors and the integration of processing with existing computerised systems.

Evidence collected during case studies confirmed that **feedback from large economic operators in particular was that the EMCS had reduced the time spent on complying with requirements.** However, smaller economic operators who only rarely had to access the system, found it difficult and more time consuming than the previous paper-based procedures.

### Box 13: Examples from case studies

**In Luxembourg** it was highlighted that the electronic application for VAT Refund brought about an overall reduction in the administrative burden for *the national administration* because the procedure became fully electronic.

**In Finland** the portal for the electronic VAT Refund procedure was assessed to be functional and easy to use *for economic operators*, and there were very few complaints after implementation.

**In the Netherlands** it was reported that *the economic operators* had provided feedback to the tax administration stressing that VAT Refund was a significant improvement for them. At the same time some security concerns were highlighted in relation to the PDFs which can be attached to system requests as these could contain malware.

**In Spain**, while the introduction of the electronic VAT Refund procedure was designed to make the process of claiming a VAT refund easier *for economic operators*, it was suggested to still be too early to clearly determine the expected impact. Additionally, two concerns were raised in relation to the security of VAT Refund concerning the security of certain national portals in other Member States, and about the adequacy of the control of users who sign up and can submit claims.

VIIES-on-the-web was considered by interviewed tax officials to have reduced the administrative burden for both administrations and economic operators, as it became quicker for a trader to check the validity of a VAT number of a customer through this online application, rather than requesting the national administration to perform this validation. Neither interviews with key stakeholders nor the case studies could 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. Joint actions provided a high degree of coordination that supports cooperation across Member States, which ensured both the implementation of IT systems and the exchange of good practices that contributed to reducing the administrative burden.

The evidence collected shows that Fiscalis 2013 delivered clear positive effects in reducing the administrative burden for tax administrations primarily through IT systems

suspension and on the application of the administrative cooperation rules in the area of Excise duties, in accordance with Decision No 1152/2003/EC.



but also through joint actions. This was due to reduction of the use of paper documentation, reducing the time and effort involved in procedures tax officials and simplifying the necessary procedures in transactions.

For the economic operators there was less tangible evidence available, although it was assumed by tax officials that instruments provided to comply with VAT and Excise procedures has reduced the administrative burden for economic operators as well, as much could now be handled electronically rather than on paper.

### **To what extent and how have the human networks created by Fiscalis 2013 contributed to a common administrative culture among tax officials in Europe?**

During interviews and case studies, the human networks between tax officials created by Fiscalis 2013 were repeatedly highlighted as one of the most important effects of the programme. The networks were credited with the ability to increase both the range and depth of cooperation across Member States.

At the same time, the evidence collected did not show that this contributed to a "common administrative culture" among tax officials – or that officials considered such a culture was an important objective of the networks. In this regard, a "common administrative culture" was defined as a set of values, visions, norms and habits common across national tax administrations. Interviewees judged that one could not speak of a "common administrative culture" and explained that the development could more accurately be described as a gradual convergence in understanding and attitude with regard to cooperation across Member States. They underlined that national administrations still have different priorities, values, norms and that many were still not fully in the habit of cooperating across Member States. However, evidence from the case studies showed that some progress has been made in that the networks contributed to a sense of a "common approach" in particular with regard to fight against fraud.

By contributing to a common approach, the human networks can be clearly associated with a variety of effects. Firstly, the networks have contributed to overcoming the obstacle of incentives which do not match – for example when the assistance of one Member State only benefits another. The quote below exemplifies this:

*"The networks formed during MLCs are intense [...] and span over years. They create trust and therefore people are willing to work quicker and more accurately for each other. This increases the speed of the exchange of information [...] and solves cases quicker. The attitude is 'Today I work for you, tomorrow you work for me'."*

MLC Coordinator.

The point highlighted by the quote above is supported by the evidence collected through case studies. Case studies suggest that Member States' interest in cooperation are not always aligned because the results (e.g. revenues collected, procedures simplified or administrative burden reduced) may not always benefit all Member States equally. As a consequence, the ability to foster human networks which contribute to developing a common approach has been an important step towards increasing cooperation – even when some Member States gain more than others.

Secondly, when an official has established a network (defined by them getting in contact with other officials), it provides them with access to officials in other Member States which allows them to quickly clear up misunderstandings or mistakes via email or phone, as well as to find out what information colleagues in other countries have – or do not have – access to.

These networks can put officials into contact with officials working in similar fields and expand the interaction between them beyond the participation in the joint actions. The

evidence collected suggested that officials find it easier to take contact to and work together with officials that they have met during joint actions, hence the networks led to increased contact between officials and to increased levels of cooperation.

It is the evaluator's opinion that the human networks created by Fiscalis 2013 have had an effect on the cooperation, which was directly connected to Fiscalis 2013 activities. This effect can be characterised more as an increased understanding and changed attitudes, which were achieved through the meetings and discussions between officials taking place during joint actions. During joint actions officials got in contact with other officials, who they later contacted and cooperated with.

This formed contacts which generated a higher willingness to cooperate even when it did not immediately benefit their own administration. In other words, although the evaluation did not find that the human networks created by the programme led to a common administrative culture, these networks did contribute to improving understanding between officials from different Member States and increased the willingness to cooperate across Member States.

### **What would be the consequences of no longer funding Fiscalis programmes?**

There was extensive agreement amongst interviewees in relation to whether and to what extent, the results and impacts of the programme would remain if funding would end. No interviewees assessed that the results and impacts would remain, but some interviewees declined to answer this questions as they found it very difficult to assess. In the short term, it was generally considered that the results and impact delivered by the programme would remain. These effects included the more noticeable achievements of the programme such as the new skills or networks which officials had gained during joint actions. However, these would not remain in the longer term, as Member States' national administrations do not operate in a stagnant environment, but rather in a complex and constantly changing reality. As a consequence, the results which would remain would become inapplicable or obsolete over time.

In relation to the continuance and development of the IT systems, the evidence collected suggested that the IT systems would have been very difficult to maintain - let alone develop - if they had not been funded under Fiscalis 2013 and its predecessors, unless a similar programme on an EU level was put in place. Evidence from key stakeholder interviews and case studies shows that issues with securing, organising and maintaining funding would likely have had a prohibitive effect on the funding of the IT systems. In summary, the IT systems would rapidly be rendered inoperable and inadequate.

With regard to the joint actions, the evidence indicated that the activities were unlikely to have been organised if the programme had not existed. Overall, the assumption was that there were no existing alternatives to the Fiscalis 2013 programme in terms of the high number of joint actions offered as well as the topics covered (in particular in relation to implementation of EU law). Several case studies pointed out that if the administrations would have had to bear the cost themselves, an important share of Member States would not have participated in working visits (both receiving and sending), workshops and seminars. In general, it was assessed that Member States would have exchanged and cooperated to a much lower extent.

According to key stakeholder interviews and case studies there were no immediate viable alternatives to Fiscalis 2013. Consequently, it was thought that the activities and the Trans-European IT systems would not have existed if Fiscalis 2013 and earlier programmes had not funded them. In extension of this point, the assessments from both case studies and key stakeholder interviews agreed also that the joint actions and IT

systems were considered symbiotic, and that neither aspect of the programme could achieve the degree of effects and impacts independently from each other.

Based on these assumptions, a number of effects and their respective consequences are illustrated below. The “consequences” listed in the second column of the table are based on interviews with key stakeholders, surveys, and on the case studies. In relation to the evidence collected, it should be noted that because the assessment of the consequences of discontinuing the funding of Fiscalis 2013 usually took place at the end of an interview, the interviewees often used the effects they had identified and then indicated to what extent it was likely that this would have been achieved without the programme.

**Table 21 Overall effects and consequences of discontinuing funding/the programme**

	Effect	Consequence
<b>IT systems</b>	No maintenance/development <sup>92</sup>	As evidenced by the case studies, the IT systems improved Member State’s ability to monitor and control movements/transactions, primarily because the systems ensured the availability of timely and accurate information. If the programme was discontinued, the IT systems would not be available, which would likely lead to the available information being outdated. This would likely lead to a decrease in the ability to monitor and control movements/transactions (due to the discontinuance of the EMCS, SEED, VIES, VIES-on-the-web). However, it should be noted that some systems such as EMCS (where use is obligatory) underpin the legislation, so if the system is not supported, the legislative and implementing set-up would have to be changed.
	No maintenance/development	As evidenced by the case studies, the IT systems have contributed to decreasing the time it took to exchange information. If the programme was discontinued, the IT systems would no longer be available and this would likely lead to an increase in the time required to exchange information. This could make it more difficult for national administrations to comply with requirements for the exchange of information and their respective time limits, as set out in the Directive on Administrative Cooperation in the Field of Taxation.
	No maintenance/development	As evidenced by the case studies, the IT systems have contributed to making it easier (made it quicker and automatic) for Member States to exchange information. This has increased the exchange of information, because fewer resources were needed to exchange larger amounts of information. If the programme was discontinued, the IT systems would no longer be available and this would likely lead to an increase in the resources needed to exchange

<sup>92</sup> It was noted that maintenance and development were equally important to ensure the IT systems usefulness and functionality.

		<p>information (assuming the same level and quality of exchange of information was to be maintained). On the other hand, given the resource crunch observable across many tax administrations, the more likely consequence would be a decrease in intensity and quality of the exchanged information.</p>
	No maintenance/development	<p>As evidenced by the case studies, the IT systems have provided Member States with access to information across the EU. If the programme was discontinued, the IT systems would no longer be available and certain Member States would likely have access to more information through bilateral or regional agreements, whilst others would not. This would likely lead to asymmetry between Member States' accesses to information and consequently facilitate fraud and distort trade, with dishonest economic operators potentially choosing Member States with less stringent regulation to avoid and evade taxes.</p>
<b>JAs</b>	Reduced cooperation to combat fraud	<p>As evidenced by the case studies and secondary data, the joint actions – and in particular the MLCs – have contributed to the identification of payable tax due. If the programme was discontinued, no (or significantly fewer<sup>93</sup>) MLCs would take place and this would likely have resulted in a decreased ability to recuperate funds.</p> <p>As evidenced by the case studies and National Coordinator survey, the JAs provided Member States with the opportunity to conduct MLCs, which contributed to preventing fraud by allowing Member States to work together on specific problem areas (e.g. trade in used cars, transfer pricing, etc.). Interviewees judged that when Member States successfully carried out MLCs within an area, this prevented fraud in that area because the increased attention from authorities made fraud more risky for fraudsters. If the programme was discontinued, no (or significantly fewer<sup>94</sup>) MLCs would take place and this would likely result in a decreased ability to prevent cross-border and national fraud.</p> <p>As evidenced by the case studies and national coordinator survey, the joint actions provided Member States with the opportunity to conduct MLCs and exchange information on fraud schemes, which contributed to multiple Member States putting measures in place to prevent a particular type of fraud or fraudulent economic operator. This reduced the possibility of the fraudster to “move” fraud from one Member State ‘A’ to Member State ‘B’, when exposed in Member State ‘A’. If the programme was</p>

<sup>93</sup> Annex 2, table 10.

<sup>94</sup> Annex 2, table 10.

		discontinued, joint actions would not take place and this would likely result in reduced coordination between Member States, which would make it easier for fraudsters to displace fraud from one Member State to another.
	Reduced/No sharing best practices	As evidenced by the case studies and interviews with national coordinators, joint actions have clearly contributed to the sharing of best practices. The best practices supported Member States in implementing tax law. If the programme was discontinued, joint actions would not take place and this would likely result in reduced effectiveness within national administrations in implementing EU tax law.
	Reduced/No exchange of ideas	As evidenced by the case studies and interviews with National Coordinators, joint actions have supported the exchange of ideas across Member States. This exchange provided national administrations with new ideas on how to combat fraud/implement IT systems/etc., because it gave them access to information on tools or procedures being used in other Member States. These ideas were then altered to fit the national context and subsequently implemented. If the programme was discontinued, joint actions would not take place and this would likely result in reduced innovation within national administrations.

These findings are in line with the evidence presented in the previous sections which suggest that the same results and impact could not have been achieved in a national, bilateral, regional or international setting.

In summary, the evaluation can conclude that the results and impacts delivered could not have been achieved through other means than Fiscalis 2013 (or a similar programme at an EU level). The durability of these results was judged to depend on the continued maintenance and development of the IT systems, as well as on the regular interaction between Member States, provided through the joint actions in the programme.

If the funding of either was to cease completely, this would likely have clear adverse effects on the cooperation across Member States. The consequences would include an overall reduction in Member States ability to combat fraud and a reduced effectiveness within national administrations – in particular in relation to collaboration with other Member States. Ultimately, this would have a detrimental effect on the functioning of the internal market.

## 5. Judgements, Conclusions and Recommendations

As is shown in the previous sections, the conclusions on achievement of specific objectives of the programme were largely positive in the evaluation. In order to provide a clear judgement on the evaluation questions, this section has been divided into five subsections under which answers to each evaluation question are provided.

### The results and impacts of a pan-European electronic tax environment

Although many factors are at play in the functioning of the internal market, the evaluators assess 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. Fiscalis 2013 allocated almost 75% of its budget to the development and maintenance of the Trans-European IT systems. 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.

The IT systems have provided important support to tax authorities in particular with regard to helping them identify and combat fraud and tax evasion. Specifically, the 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 from VIES on the volume, nature and parties in a VAT-taxable transaction; in the excise duties, thanks to 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 in themselves were considered to make fraudulent behaviour more difficult, risky and costly, which in itself can have reduced irregularities. With 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.

Apart from contributing to the fight against fraud, **electronic exchange of information also supported Member States in implementing the EU law by enhancing cooperation across Member States through facilitating information exchange**. In this regard, the programme appears to have had a particularly strong impact on this area through the development of common e-Forms allowing the standardisation of the formats of information exchange. Used in conjunction with CCN mail and relevant mail boxes, e-Forms were widely considered by users to facilitate administrative cooperation in all tax areas of relevance to EU law.

The development of common IT systems under Fiscalis 2013 did help Member States to implement EU rules on the exchange of information more **efficiently due to economies of scale and central development of some services by DG TAXUD**. Through this, the systems ensured that auditors had access to high quality and timely information which in turn enabled a more effective assessment of the tax payer. The access to information facilitated improved revenue collection and helped tax administrations protect the financial interests of Member States and the EU.

The efficient exchange of information was primarily brought about by the IT systems and contributed to the **elimination of paper**, whilst the **simplification of procedures** and the use of e-Forms contributed to ensuring that information could be exchanged in a more standardised format. These achievements ultimately **reduced the administrative burden for tax administrations**. In relation to the **administrative burden for tax**



**payers**, the evaluation found that while evidence on the reduction of administrative burden for traders was clear for certain systems such as VIES-on-the-web, no information was available on actual impact on traders in terms of savings or simplifications. It can therefore not be clearly established that Fiscalis 2013 contributed significantly to a reduction of administrative burden for taxable persons.

**Candidate countries** took part in Fiscalis joint activities, but in general **had limited access to or influence over the Trans-European IT systems**. There were instances identified where use of IT systems had been extended to non EU countries e.g. e-Form application for Direct Tax.

### **Unexpected and/or unintended results and impacts generated by the programme's activities**

The evaluation found that the programme resulted in few unexpected or unintended results or impacts.

A positive unintended result was that **joint actions contributed strongly to establishing informal contacts**, which was considered to increase the quality of the cooperation across participating countries' administrations. According to interviews, the informal networks have increased the programme's contribution to supporting information exchange, administrative cooperation and the exchange of best practices in all studies tax areas. This finding was highly consistent throughout the evaluation, underlining the importance of personal contact between tax officials from participating countries, which also explain the focus put on the benefit of joint actions to this end.

There was anecdotal evidence of adverse effects of implementation of the EMCS system, as more goods may be moved as paper based duty paid goods, which are harder to control, precisely to avoid the scrutiny under EMCS. However, it is assessed as unlikely that the paper based movements outweigh the benefits achieved by the real time control provided by the EMCS. As with any IT system or control procedure, a certain "displacement" of fraud or tax evasion is likely to take place when new systems are put in place, which also underlines the importance of continued development and cooperation to combat fraudulent behaviour.

Finally, there was some evidence that e-Forms unintentionally led to a slight increase in administrative burden. This was primarily due to the requesting party automatically ticking all pre-defined fields in the information request, rather than selecting the true needs for information, thereby forcing the receiving tax official to answer to all fields. However, it was not mentioned how often this happened, or to what extent the problem was a real obstacle to achieving the objective of e-Forms. Overall, positive assessments of e-Forms were more prominent, and hence an overall increase of administrative burdens due to e-Forms seems highly unlikely. Still it could be recommended to focus on continued training of users and development of e-Forms to minimise the risk on misuse.

In relation to how **contextual factors** influenced the programme's achievements, the evaluation can conclude that there were internal or external contextual factors which have contributed or hindered the achievements of Fiscalis 2013. Overall, internal factors were the most important when it comes to contributing positively to the programme's achievements, but also when it comes to hindering them. The internal factors were identified within the national administrations and included the national IT systems, organisation and legislation.

Additionally, two factors external to the national administrations were identified. The first, most significant one was the economic crisis in Europe. Whilst the economic crisis was assessed to have contributed to the programme's achievements by ensuring a focus on the most cost-effective activities, it was primarily regarded as a hindrance to the



programme, because many Member States' budgets were reduced at the expense of participation in Fiscalis 2013. The second one, the activities organised under the auspices of IOTA, was more difficult to pinpoint. However, findings suggest that IOTA, in pursuing, amongst other, objectives similar to Fiscalis 2013, complemented and enhanced certain achievements of the programme.

### **How dissemination of awareness, knowledge and action (implementation), weighed on the achievement of the programme's objectives**

It is the evaluator's opinion that the dissemination of awareness, knowledge and action influenced Fiscalis 2013's ability to achieve its objectives.

**Awareness** of Fiscalis 2013 amongst tax officials in Member States may not be important per se. However, to ensure the programme's contribution to increased cooperation between Member States, awareness of the objectives of EU tax legislation and the connection between the national and EU level implementation can be seen as essential. This builds on the assessment that awareness and understanding of importance of cooperation across Member States increased the likelihood of participation in Fiscalis joint actions, which were used to expand networks. In turn, these networks were of importance to the officials' work as it supported them in sharing information to solve problems and share good practices.

According to findings, knowledge or outputs derived from programme activities were **shared to a high extent** within national administrations by participants in joint actions. The evidence showed that this knowledge was generally used within national administrations, but that the extent to which it was put to use depended on the alignment of objectives of the specific programme activity and the national tax administration. In general, tax administrations prioritised participation in activities which were aligned with national objectives or strategies, also underlining the complementarity and synergies between Fiscalis 2013 and national initiatives.

It was often difficult for interviewees to pinpoint or provide detail on how **the use** of the knowledge or outputs derived from programme activities led to **actual changes** in national administrations' procedures and processes. However, the programme activity outputs primarily manifested themselves through Member States adjusting national procedures based on good practices from other Member States and by contributing to more openness to collaboration across the EU.

### **Did the programme's resources produced best possible results at the lowest possible costs (best value for money)**

As described throughout the report, the evaluation concludes that Fiscalis 2013 clearly contributed to and delivered strong results in relation to reducing fraud, reducing the administrative burden (for tax administrations) and supporting the implementation of Union law in taxation.

In relation to whether these results were delivered at a reasonable cost, the evaluators assess that the outputs and results achieved justify the costs of the programme.

The Trans-European IT systems, which accounts for the largest cost, provided national administrations with the necessary tools to exchange information related to intra-EU trade and taxation. It is assessed that the costs of the IT systems were justified given their **levels of usage, and the value of the information exchanged**. Overall, the programme enabled a high level of common development and maintenance cost, **leading to economies of scale and likely cost savings**, although no tangible evidence could be provided to this end (due to lack of comparison).

The **costs of joint actions were also assessed as reasonable** when compared to the outputs and results that these deliver towards achieving the programme objectives. No

evidence identified indicated that the same results could have been delivered at a lower cost or that substantial savings could be made. Another fact further justifies the costs of the programme, namely that no existing alternatives to Fiscalis 2013 were assessed as able to deliver these results at the same or lower cost.

The **overall high benefits of MLCs** can be taken into account, as an indication of reduction of fraud and tax evasion. The reported amount from app. 85% of closed MLCs translates to a ratio of almost EUR 1:1350 (ratio between EUR 2.41 million actually spent on MLCs and EUR 3.26 billion of taxes due identified and reported). In addition, the overall budget available for Fiscalis 2013 was equivalent to 5% of the amount of EUR 3.26 billion of taxes due reported in the MLC reports. The figures on MLC results cannot be verified independently, nor is it possible to further define if it concerns amounts recovered or taxes due but not yet recovered. Overall, the evaluation assess it likely that the overall economic benefits of all Fiscalis 2013 activities and tools were higher than these amounts, taking into account qualitative and anecdotal evidence from the evaluation.

The evaluation cannot establish whether the best possible results were produced at the lowest possible costs, due to lack of comparison or baselines. Overall it seems likely that the best possible results have been produced, given the complex environment of Fiscalis 2013. As mentioned above there was no evidence of potential savings or unnecessary costs in the programme, nor was there any indications of budget constraints making strategic targets or activities difficult to obtain in the programme.

With regard to potential improvements to the use of resources, PICS has not been used to any great extent under Fiscalis 2013 and it is currently mainly being used by key stakeholders. This was assessed to primarily be due to the rather recent implementation of the system.

### **The European added value of the Fiscalis 2013 programme**

The evaluation can conclude that **Fiscalis 2013 had a clear and significant EU added value**. It is the evaluators' opinion that national or bilateral initiatives could not have ensured the necessary collaboration to maintain and continue the development of **Trans-European IT systems** to exchange information between all EU countries. Hence, it was assessed as highly unlikely that the same or better results could have been achieved without taking place on the EU level. Given that many of the IT systems for administrative cooperation such as e-Forms and automatic information exchange have been developed or partly developed under Fiscalis 2013, the programme played a key role in ensuring that the exchange of information between tax administrations was enhanced, which in turn had a direct impact on the possibility to monitor and control the trade in the internal market. Without this ability to cooperate and exchange information, it is likely that the monitoring of the internal market would be less harmonised and thus less effective.

Evidence shows that contacts formed through participation in Fiscalis 2013 **joint actions** generated a higher willingness to cooperate among tax officials even when it did not immediately benefit their own administrations. In other words, although the evaluation did not find that the human networks created by the programme led to a common administrative culture, the networks and contacts created did contribute to improving understanding between officials from different Member States and increased the willingness to cooperate across Member States.

The evidence collected shows that Fiscalis 2013 delivered clear positive effects in **reducing the administrative burden for tax administrations** primarily through IT systems but also through joint actions. This was due to reduction of the use of paper documentation, reducing the time and effort involved in procedures for tax officials and

simplifying the necessary procedures in transactions. For the **economic operators there was less tangible evidence available**, although it was assumed by tax officials that instruments provided to comply with VAT and excise procedures has reduced the administrative burden for economic operators as well, as much could now be handled electronically rather than on paper.

**Fiscalis 2013 was assessed to be clearly complimentary to national and bilateral initiatives.** The programme has been instrumental in supporting national initiatives, as national administrations participated primarily in joint actions which supplemented or contributed to national priorities and strategies. Likewise bilateral initiatives were mainly in parallel to Member State's participation in Fiscalis 2013, often going beyond the exchange supported by the programme.

At **international level** the findings were less tangible, but **indicate that synergies were being utilized and that complementarity exists.** This was particularly so in the case of IOTA, which can have contributed to the specific output "Multilateral exchange of targeted information via formal and informal networks" as the IOTA also put tax officials into contact with each other through workshops and other events and often included the same people from participating countries. There were identified examples of collaboration between OECD and Fiscalis 2013 on the development of IT tools, for example related to the tools for automatic exchange of information. However, the OECD and IOTA include non EU Member States and therefore do not have the same legal basis for cooperation and thus not the same incentive to develop tools and systems which support application of EU legislation in the field of taxation, nor the same potential impact on the internal market.

The clear focus on the internal market and the EU taxation systems meant that participation from non-EU Member States has not been specifically targeted in the programme as such. The evaluation did not assess the value of Fiscalis 2013 for Candidate Countries, but can conclude that there are few differences in terms of benefits reported from in particular joint actions, in terms of networks created and increased knowledge gained.

In summary, the evaluation can conclude that the results and impacts delivered could not have been achieved through other means than Fiscalis 2013 (or a similar programme at an EU level). The durability of these results was judged to depend on the continued maintenance and development of the IT systems as well as the regular interaction between Member States, which were provided through the joint actions in the programme. If the funding of either was to cease completely, this would likely have clear adverse effects on the cooperation across Member States. The consequences would include an overall reduction in Member States ability to combat fraud and tax evasion and a reduced effectiveness within national administrations – in particular in relation to collaboration with other Member States to implement EU tax legislation. This would probably lead to loss of tax revenues, risk distorting competition and ultimately this would have a detrimental effect on the functioning of the internal market.

## Follow up of the mid-term evaluation of Fiscalis 2013

A mid-term evaluation of Fiscalis 2013 was carried out in 2010-11, which developed a number of recommendations in order to improve the functioning of the programme.<sup>95</sup> In response to these, the Commission developed an Action Plan<sup>96</sup> to clarify how the recommendations could be implemented for the remainder of the programme.

The below is a summary of the recommendations and whether action was taken to implement them. The findings are based on feedback from the relevant DG TAXUD units and information collected during the case studies.

	Summarized recommendation	Action taken
1	Higher priority should be given to cooperation in the field of Direct Taxation.	<p>This action was included in the Action plan and a number of activities were undertaken. The recommendation included organizing activities to improve awareness of the programme. Activities undertaken to this end included the development of an e-learning module for the Direct Tax e-Form application. The use of working visits in the field of Direct Taxation was promoted during the meetings of the Committee on Administrative Cooperation for Taxation (CACT).</p> <p>Overall, feedback from the Commission suggests that there were an increasing amount of activities related to Direct Tax organised under the programme: a number of joint actions were organised to support the implementation of the Directive 2011/16/EU, and an action plan to strengthen the fight against tax fraud and tax evasion was developed.<sup>97</sup> An evaluation questionnaire on the functioning of the Directive was launched towards the end of Fiscalis 2013 and follow-up is ongoing.</p>
2	Reduced burden on taxpayers should be a specific objective of Fiscalis in the future, and activities targeting this objective should be	The objective of reduced burden and reduced compliance costs on taxpayers has been added as one of a number of priorities of the Fiscalis 2020 programme. <sup>98</sup> Specific projects related to reducing burden on taxpayers were included in the Annual Work Programme for 2014, including cross border

<sup>95</sup> Mid-term Evaluation of Fiscalis 2013, Final report, Ramboll, July 2011. [http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/studies/fiscalis2013\\_mid\\_term\\_report\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/fiscalis2013_mid_term_report_en.pdf)

<sup>96</sup> Action Plan: Follow-up of the Fiscalis 2013 mid-term evaluation recommendations, DG TAXUD 2012.

<sup>97</sup> Action Plan to strengthen the fight against tax fraud and tax evasion, COM (2012) 722 final.

<sup>98</sup> Regulation (EU) No 1286/2013 2014-2020 (Fiscalis 2020) and repealing Decision No 1482/2007/EC was adopted in December 2013. It includes as a specific objective: enhancing the administrative capacity of participating countries with a view to assisting in reducing the administrative burden on tax authorities and the compliance costs for taxpayers.

Summarized recommendation	Action taken
<p>increased.</p>	<p>taxation problems, tax payers information, and Mini One Stop Shop. Their implementation will follow in 2014 and 2015.</p> <p>There has been a number of activities implemented related to this objective. For example, a tripartite EU VAT forum was set up in 2012 in order to ensure a channel of communication for businesses in VAT matters. A number of seminars and project groups were set up in order to help further implement IT systems. For example, a project group was set up to further implement VAT Refund, which is designed to reduce the administrative burden on the taxpayers. In the area of Direct Tax, a workshop was held in 2012 on removing the cross-border Direct Tax obstacles faced by EU citizens.<sup>99</sup></p> <p>There is limited evidence to assess whether that there has been an increase in programme activity in this area following the mid-term evaluation recommendations. However, many of the joint actions have continued existing work to reduce the burden on taxpayers or have pursued the objective of properly implementing IT tools designed to reduce the burden on taxpayers (e.g. VAT refund, Mini One Stop Shop).</p>
<p><b>3</b> The Commission, in close cooperation with the Member States, should set up a results-based monitoring and evaluation (M&amp;E) system for the Fiscalis programme.</p>	<p>In 2013, the Commission carried out a study to develop and complete internal efforts to design a result-oriented performance measurement framework for the Fiscalis 2020 programme (and Customs 2020). The Performance Measurement Framework includes all the elements suggested by the mid-term recommendation. It is based on the programme intervention logic and defines a set of indicators for each of the programme's specific objectives, along with suggestions to each indicator's baseline and target.</p> <p>The study also developed eight data collection tools –for example surveys- as well as a reporting structure which sets out how the programme's progress should be reported to Member States. The framework will be implemented before the end of 2014 and the data collected through the framework is expected to provide supplementing monitoring data for the programme's midterm evaluation in 2018.</p>

<sup>99</sup> Bruges – 17-18 December 2012 (FWS072).

	<b>Summarized recommendation</b>	<b>Action taken</b>
<b>4</b>	<p>The Commission and the Member States should ensure that knowledge and practices shared or developed with the support of Fiscalis are actually disseminated and used in the national tax administrations.</p>	<p>An updated activity scheme to present the programme activities (by type of taxes and objectives) was issued in 2012 and presented by the programme management team in the programme Committee meetings.</p> <p>The Performance Measurement Framework (discussed in the response to recommendation 3) also included a specific task related to dissemination of programme outputs, and includes indicators to this respect. The programme management team plan to analyse the results of the study and look at how best to implement the outcomes.</p> <p>In addition a pilot monitoring exercise was carried out during 2013 of all project groups organized under Fiscalis 2013, in order to assess the extent to which the expected results were achieved. This was used systematically to close the majority of project groups and feedback was received from many of them.</p> <p>The Fiscalis 2020 regulation also includes provisions related to ensuring that use is made of the outputs generated from joint actions organized under Fiscalis 2020.<sup>100</sup></p>
<b>5</b>	<p>The Commission should ensure that VIES is used to its full potential. Possibilities for tighter quality control procedures of the data and/or more integrated national and EU systems should be explored.</p>	<p>Provisions to Regulation 904/210<sup>101</sup> were amended in order to increase the amount and quality of information stored and exchanged in VIES. According to the 2014 report on the application of Regulation 904/2010<sup>102</sup>, the changes implemented have reduced the number of discrepancies, resulted in faster updates and more reliable turnover data.</p> <p>There has also been a reduction in the obligatory timeframe for submitting and transmitting recapitulative statements which has accelerated the speed of information exchange. The vast majority of Member States now apply a system of daily updating of their respective national databases.</p> <p>Overall it appears that VIES has been highly appreciated by Member States and that it has been the focus of further development work.</p>

<sup>100</sup> Article 8.3 of Regulation (EU) No 1286/2013.

<sup>101</sup> Council Regulation 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax

<sup>102</sup> Report on the application of Council Regulation (EU) no 904/2010 concerning administrative cooperation and combating fraud in the field of value added tax COM(2014) 71 final.



Summarized recommendation	Action taken
<p><b>6</b> The Commission should introduce a dedicated planning, monitoring and reporting system for the organisation and follow-up of Working Visits by the Member States.</p>	<p>A working visits processes reform was conducted by the programme management team which targeted the initiation, monitoring and reporting of the working visits, and a project group was established for the reform of the working visits management. The work of the Commission together with the project group input has been presented in the Working Visits Coordinators network and the National Coordinators Network and the Committees in 2013.</p> <p>According to R3, the programme management unit, the reform resulted in an increased effectiveness and transparency of the working visits (as a proposal is now made for each working visit and a corresponding reporting system is designed). In addition, a PICS group was created for the Working Visit National Coordinators in order to strengthen guidance and coordination in this area.</p> <p>The programme management team also plan to issue more detailed guidance for the National Coordinators on this topic.</p>
<p><b>7</b> The programme should involve a larger community of stakeholders, including third countries (i.e. countries that are not Member States, candidate countries or potential candidates), businesses and individual taxpayers.</p>	<p>During 2013, the programme management team organized a number of presentations and information sessions of the new Fiscalis 2020 programme to participating countries. These presentations were also open to candidate and potential candidate countries. The information sessions were given at the following events:</p> <ul style="list-style-type: none"> <li>- Programme management events in 2013 in Lisbon;</li> <li>- Working Visit Coordination meetings in 2013 and 2014.</li> <li>- Fiscalis 2013/2020 Committee meetings in December 2013 and February 2014.</li> </ul> <p>Although these information sessions were also for candidate countries, there was little evidence of activities or events targeted specifically at candidate and potential candidate countries. However, the preamble to the Fiscalis 2020 Regulation also reconfirms the programme's openness towards candidate and potential candidate countries.</p> <p>In order to encourage the participation of more external experts in joint actions, guidance was developed by the programme management team on possibilities to invite external experts, and a special field was added to the proposal form in the ART reporting tool related to their participation.</p> <p>See actions taken in response to recommendation 2 for examples of initiatives designed to include more</p>



	Summarized recommendation	Action taken
		<p>feedback from businesses in programme activities. It is not clear however, whether activities have been undertaken to increase the involvement of individual taxpayers.</p>
8	<p>Proportionate programme management capacity should continue to be developed in line with the programme. This could include more efficient use of existing resources, more human resources, and closer cooperation with the national Fiscalis management teams.</p>	<p>Steps have been taken in order to maximize efficient use of existing resources. These included the deployment of an updated version of ART, the programme reporting tool, which included a combined query function allowing extended search functionalities in the ART database. Several practical trainings were organized in 2013 and 2014 with the stakeholders in order to improve the usage of ART, with more being planned in 2014.</p> <p>Importantly, the operational monitoring process has been integrated into ART, and further modifications will be introduced in 2014 in order to facilitate the process for registered participants to fill in data collection forms upon completion of the joint actions.</p> <p>An updated PICS version was deployed in March 2013 including a major improvement of the usability and navigability of the system. According to programme management (R3) the focus is currently on implementing the system towards all programme activities and supporting users to adopt the system.</p> <p>According to R3, several tasks have been decentralised by the programme management team to the DG TAXUD policy units (such as some parts related to the process of issuing invitations) to allow the programme management team to focus on conceptual issues.</p> <p>No evidence was received to indicate that activities had been undertaken to increase programme management capacities in the form of more human resources.</p>

## **Recommendations to realise the full potential of future Fiscalis programme(s)**

As can be deduced from the conclusions, the overall conclusions regarding Fiscalis 2013 are positive and the programme was judged to provide a clear added value to the implementation of European tax legislation. Consequently, the recommendations presented in this section are not aimed at rectifying weaknesses in the programme, but rather to further the full potential of future Fiscalis programme(s).

Not all recommendations here are operational, or solely under the direct influence of the programme. The evaluators have chosen to also include policy recommendations where relevant. It should be noted that policy recommendations are based more on assessed “gaps” in Fiscalis 2013, rather than concrete findings of the evaluation.

In the following the main recommendations are presented. In each recommendation the main stakeholder concerned is identified (in some cases differentiating between Member States and Participating countries), a justification for the recommendation is given and an assessment made of intended or likely results of implementation. In order to enhance clarity and overview, the recommendations have been put in a table form. The recommendations and their respective justifications are based on evidence from the evaluation; the intended results should be understood as probable outcomes if the recommendations are applied.

**Table 22 Recommendations table**

Nr.	Recommendation	Main responsible	Justification	Intended results
1	Work should be undertaken to raise awareness of (future) Fiscalis programmes, including the objectives, the tools and the outputs. In particular the link between European IT systems and the funding provided by Fiscalis could be promoted.	DG TAXUD and Participating countries	The evaluation has showed that awareness and knowledge were seen as clear contributing factors to increased cooperation and information exchange. Findings also show that the overall level of awareness and in particular knowledge of Fiscalis can be improved within and across tax administrations <sup>103</sup> . 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.	Higher and more evenly distributed participation in and initiation of joint actions. Recognition of the importance of EU funding for the IT systems, strengthening support for Fiscalis.
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.	DG TAXUD and Participating countries	Evidence showed that the responsibilities for tasks related to Fiscalis 2013 were not always clearly assigned in the national administrations, which may negatively affect programme coordination and overall implementation in participating countries.  The case studies found that National Coordinators worked in very different conditions in terms of position, time and resources, which had an impact on their ability to actively promote the programme in the national administrations. To achieve a higher	Clarified expectations at programme and national levels. National Coordinators have similar resources and support available to actively carry out their key functions.

<sup>103</sup> According to the general part of the survey, the awareness of Fiscalis 2013 was fairly good, with two thirds of the respondents being aware of the programme (see Annex 1, Figure 13). Of the people who know Fiscalis 2013, the majority (almost 70 %) assessed their knowledge to be basic or very basic (Annex 1, Figure 14).

Nr.	Recommendation	Main responsible	Justification	Intended results
			use of the programme, participating countries could share best practices and lessons learned on how to best organise the National Coordinator role with a view to maximise the use of the Fiscalis programme.	
3	The programme should continue to disseminate information on how PICS is intended to be used and what functionalities it has.	DG TAXUD	Evidence shows that potential users are unsure of how they should be using PICS and therefore they often stick to CIRCABC. Higher usage of PICS is necessary for the system to realise its full potential. More users on PICS and better understanding of functionalities will enable more informal cooperation and information sharing between tax officials. Informal cooperation has been established as a strong unintended result of the programme which should be supported.	An active formal and informal networking is taking place using PICS.
4	The Commission should continue to play an active role in facilitating collaboration on national IT applications between Member States.	DG TAXUD and Member States	Evidence from case studies and interviews with TAXUD IT staff indicates that collaboration on IT projects can increase efficiency in national administrations as Member States can pool resources when developing national applications. This evidence is supported by the IT Master Plan from 2013, which suggests that supervision and guidance from the Commission would help encourage such collaboration.	Member States make use of possibility to develop (joint) national IT applications. Reduced costs at national level. Increased harmonisation between national and European IT systems.
5	The Commission should continue to develop central applications which can be used by all Member States.	DG TAXUD and Member States	Although the Commission is not obliged to develop central applications, there was evidence from case studies and DG TAXUD interviews to suggest that centrally developed	Increased cost-efficiency through the development of common tools.

Nr.	Recommendation	Main responsible	Justification	Intended results
			<p>applications available to all Member States were considered the most cost efficient tools. Example of this includes conformance testing tools which allow Member States to perform their own testing. The development of central applications depends on the relevant policy and legal conditions (e.g. impact assessment, legal basis adopted), while for support applications there is a requirement for the development "opportunity" to be analysed before project development. However, evidence suggests that there may be further benefits in continuing to develop common tools.</p>	<p>Member States have better ability to perform their testing and to access targeted statistics.</p>
6	<p>The Commission and Member States should explore further integration between taxation and customs procedures.</p>	<p>DG TAXUD and Member States</p>	<p>Evidence from case studies and interviews with TAXUD officials suggests that there was a lack of coordination between customs and excise projects during the development of the technical specifications of EMCS and customs applications. This was reported to create challenges related to the "integration" between EMCS and certain export procedures, for example requiring certain movements ending outside the Member State to be closed manually. The efforts of the ongoing Fiscalis project group to coordinate more between taxation and customs applications should be supported and opportunities to increase synergies between Customs and Fiscalis programmes should be further explored.</p>	<p>Better integration of taxation and customs applications. Increased coherence between EMCS and export procedures for movements finishing outside the Member State of destination.</p>
7	<p>Prospectively, Fiscalis should focus more on reducing burden on the taxpayers, and</p>	<p>DG TAXUD and Member States</p>	<p>This recommendation featured in the mid-term evaluation of Fiscalis 2013 as well, and it is assessed to be still pertinent. The evaluation</p>	<p>Simplified procedures for the tax payers,</p>

Nr.	Recommendation	Main responsible	Justification	Intended results
	<p>increase programme activities targeting this objective with a view to support the improved functioning of the internal market.</p>		<p>notes that the reduction of burden for taxpayers is included as an objective in the Fiscalis 2020 programme Regulation.</p> <p>The evaluation has not found any evidence of increased efforts in terms of reducing burden on the tax payers during the programme, reductions are rather assumed to occur as a consequence of reduced burdens on tax administrations. Given the importance of simplification for taxable persons for better functioning of the internal market, with fair competition and also free movement of people, the reduction of administrative burden related to tax compliance should be more strongly supported by the programme.</p> <p>It should be noted economic operators were not directly consulted during the evaluation. In future evaluations it is suggested to include consultations with economic operators and their representatives.</p>	<p>contributing to the effective functioning of the internal market.</p> <p>Increased the legitimacy of the programme among the public and economic operators.</p>

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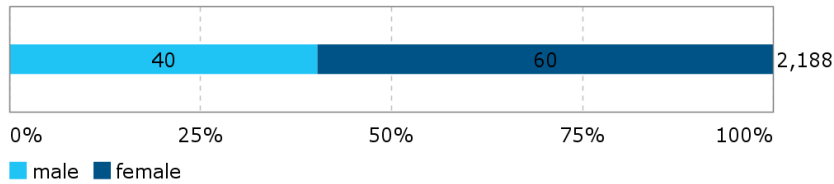
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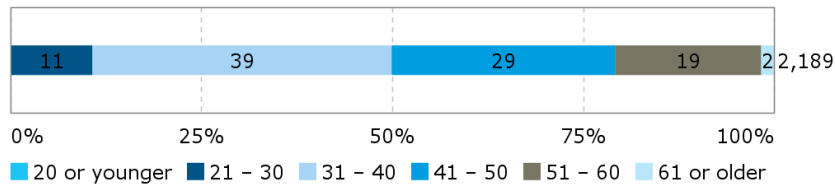
## Annex 1. Survey to tax officials

### Profiles

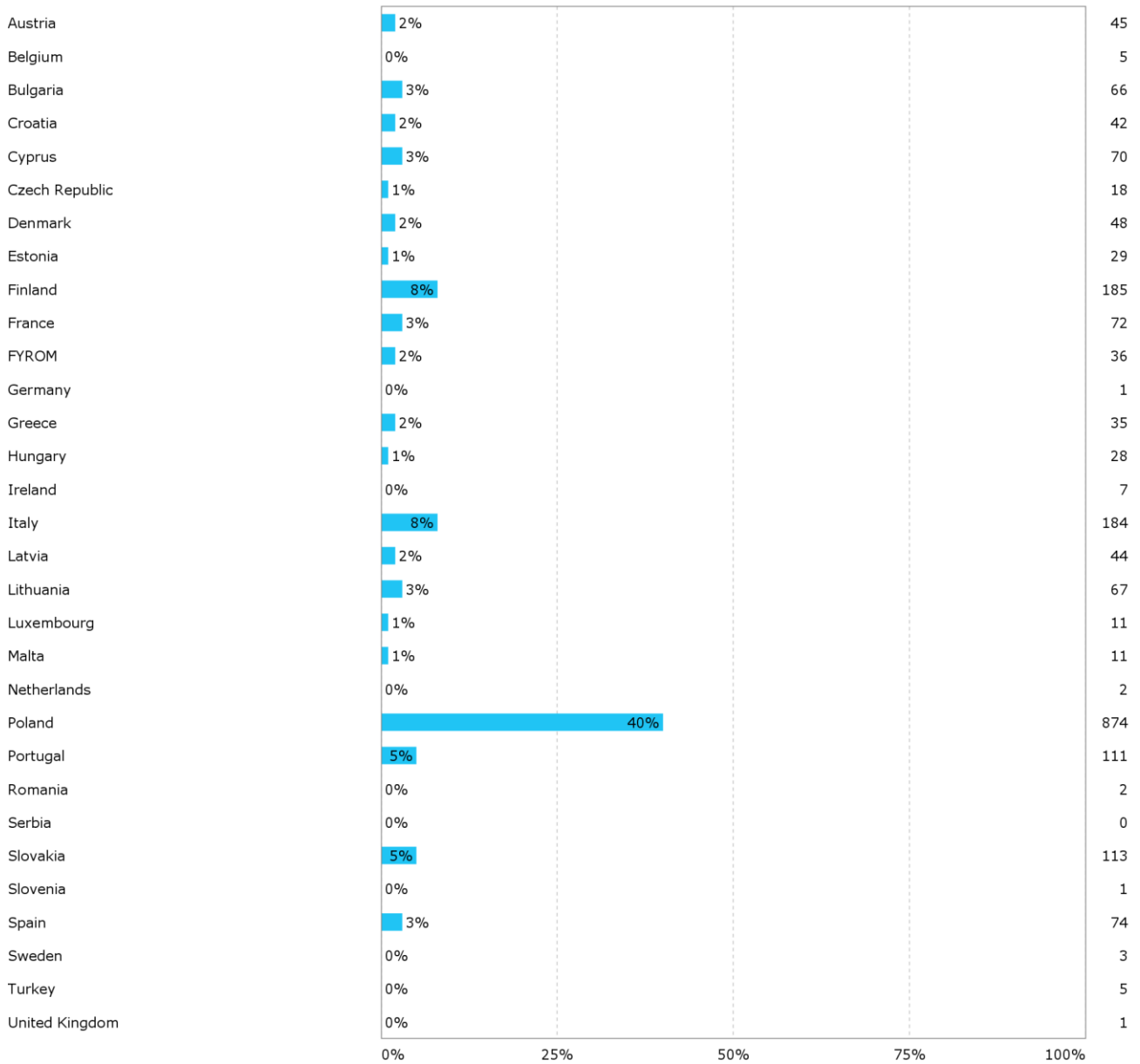
**Figure 1 What is your gender? (Q1)**



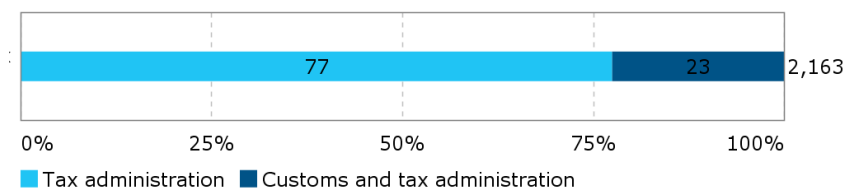
**Figure 2 What is your age? (Q2)**



**Figure 3 In which country do you work? (Q3)**

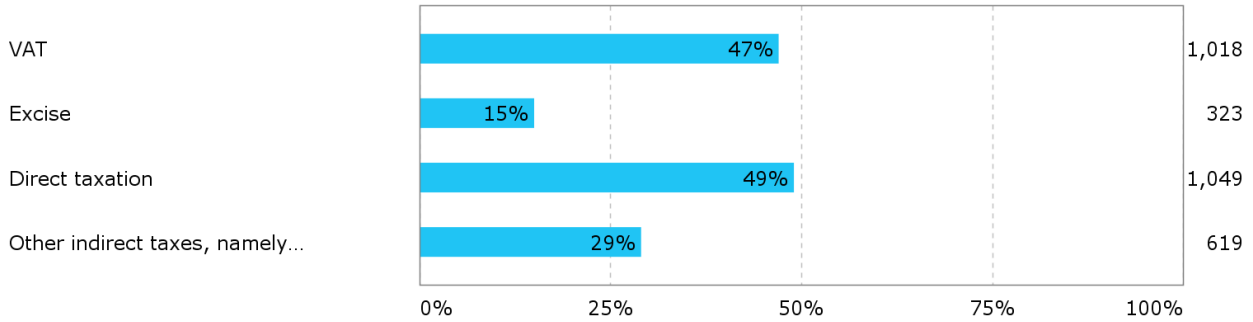


**Figure 4 What kind of administration do you work for? (Q4)**

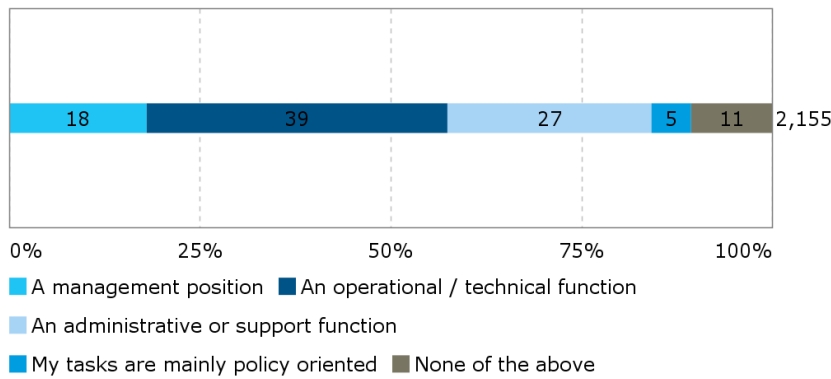


**Figure 5 In which area do you work? (Q5)**

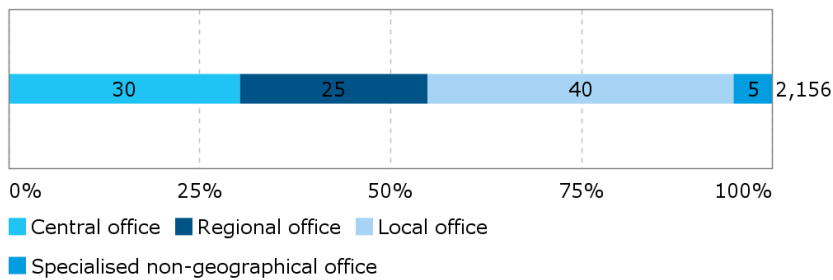
Multiple choices, n=2127



**Figure 6 How would you describe your job? (Q6)**

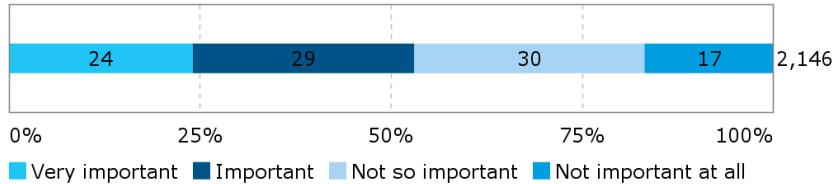


**Figure 7 I work in a... (Q7)**

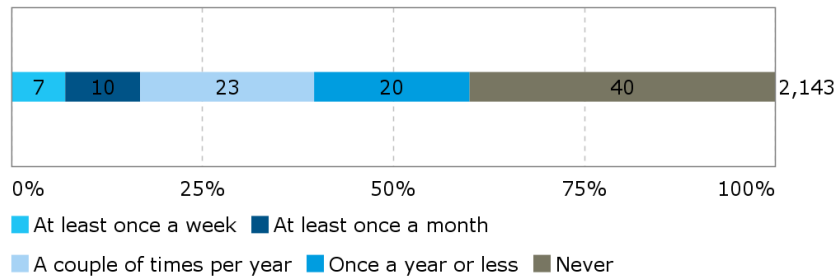


## Cooperation with tax officials in other countries

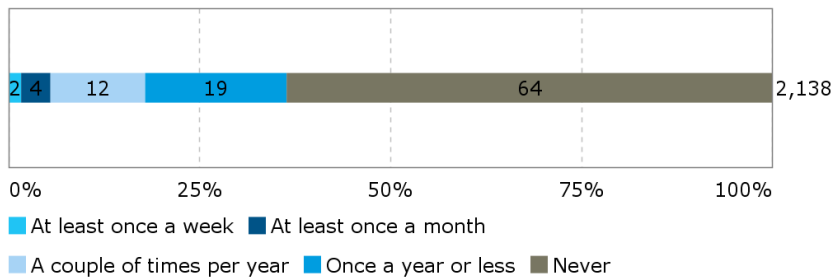
**Figure 8 How important is it for your regular work activities to be in contact with colleagues in administrations of other EU Member States? (Q8)**



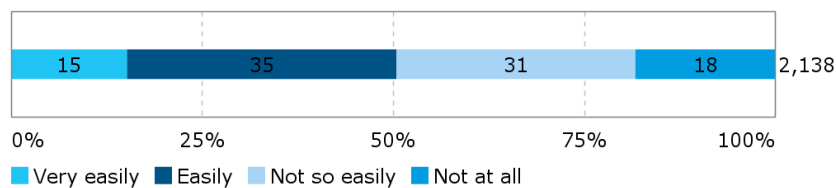
**Figure 9 How frequently are you currently in contact with colleagues in administrations of other EU Member States? (Q9)**



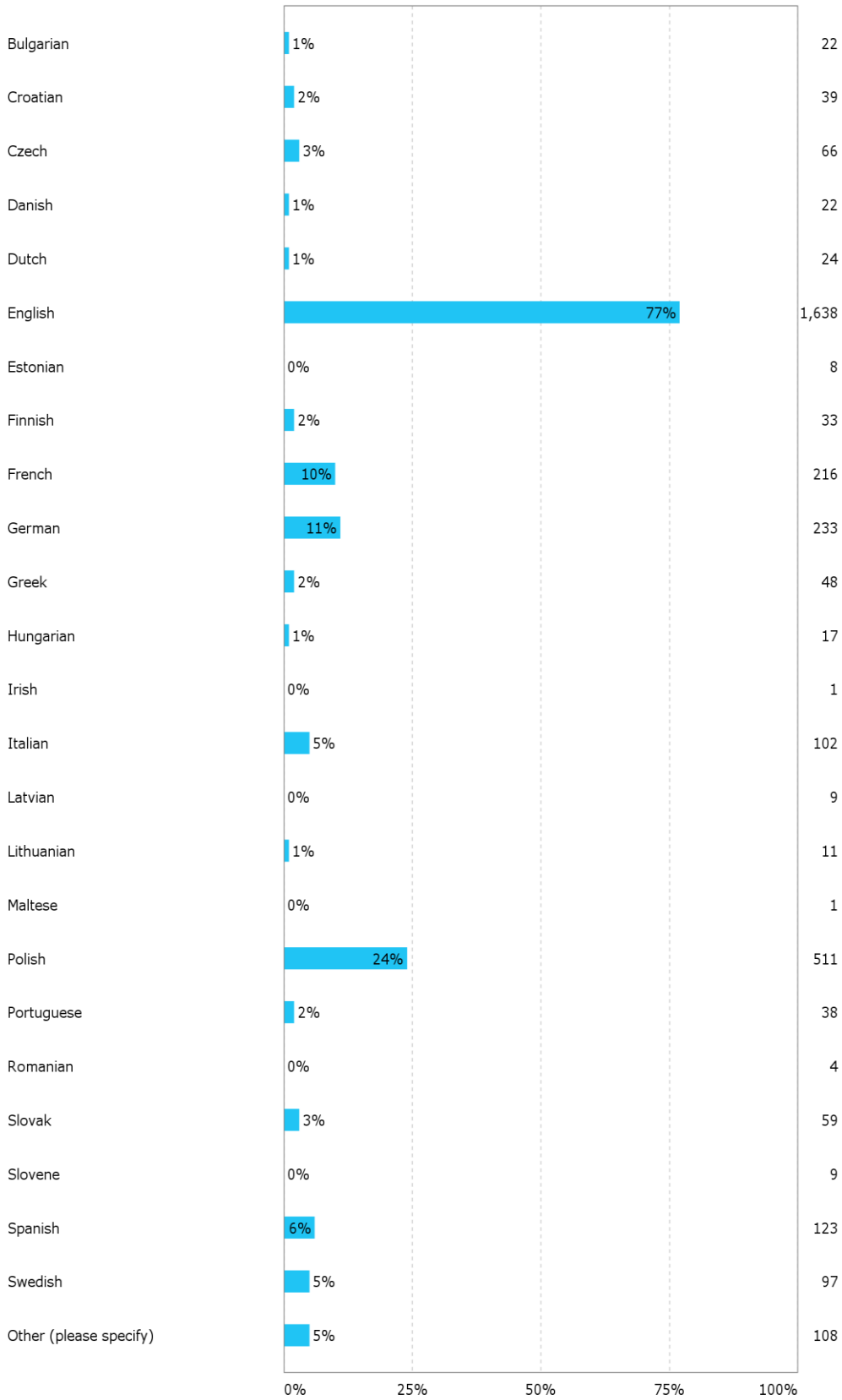
**Figure 10 How frequently are you currently in contact with colleagues in administrations of non-EU Member States? (Q10)**



**Figure 11 How easily can you speak in a foreign language on professional topics (for example with colleagues in administrations of other countries)? (Q11)**



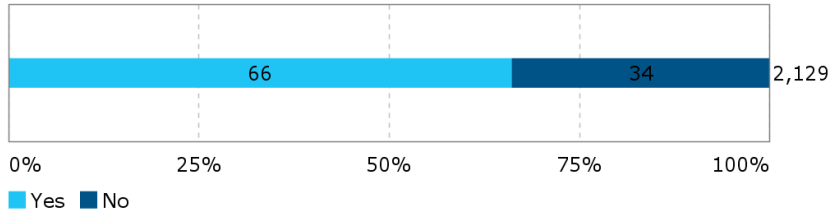
**Figure 12 Which language(s) do you use when you have contact with foreign colleagues? (Q12)**



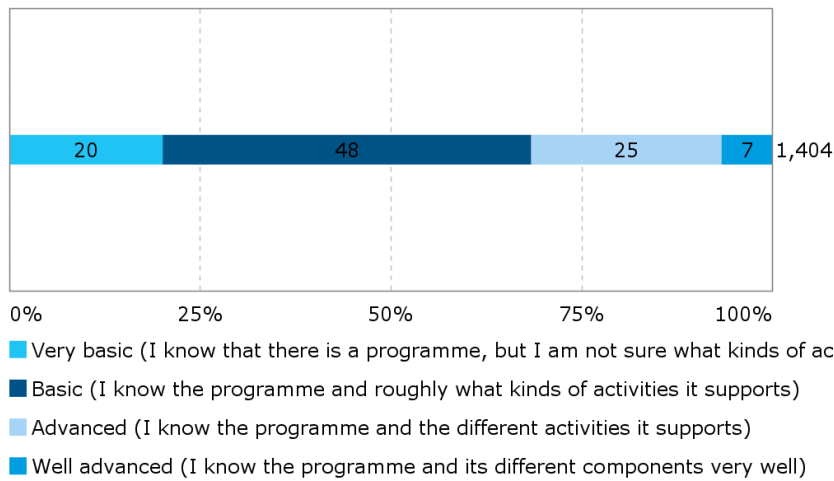


### Awareness of and experiences with the Fiscalis 2013 programme

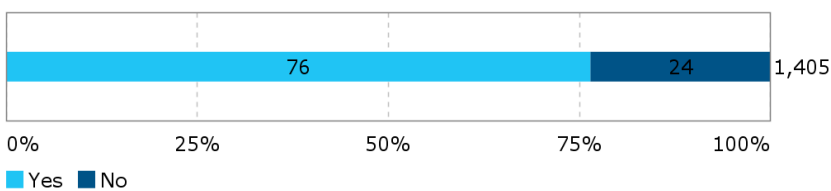
**Figure 13 Before receiving this survey, were you aware of the EU’s support programmes that aim to increase cooperation between tax administrations of EU Member States? (Q13)**



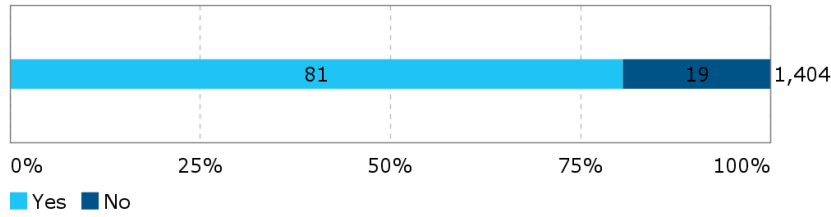
**Figure 14 How would you judge your knowledge about the programme? (Q14)**



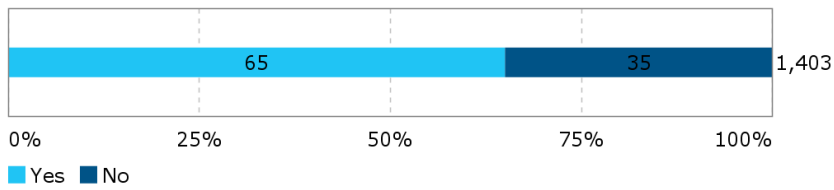
**Figure 15 Do you know where to find more information on the programme? (Q15)**



**Figure 16 Do you know whom to contact in your administration to obtain more information on the programme? (Q16)**

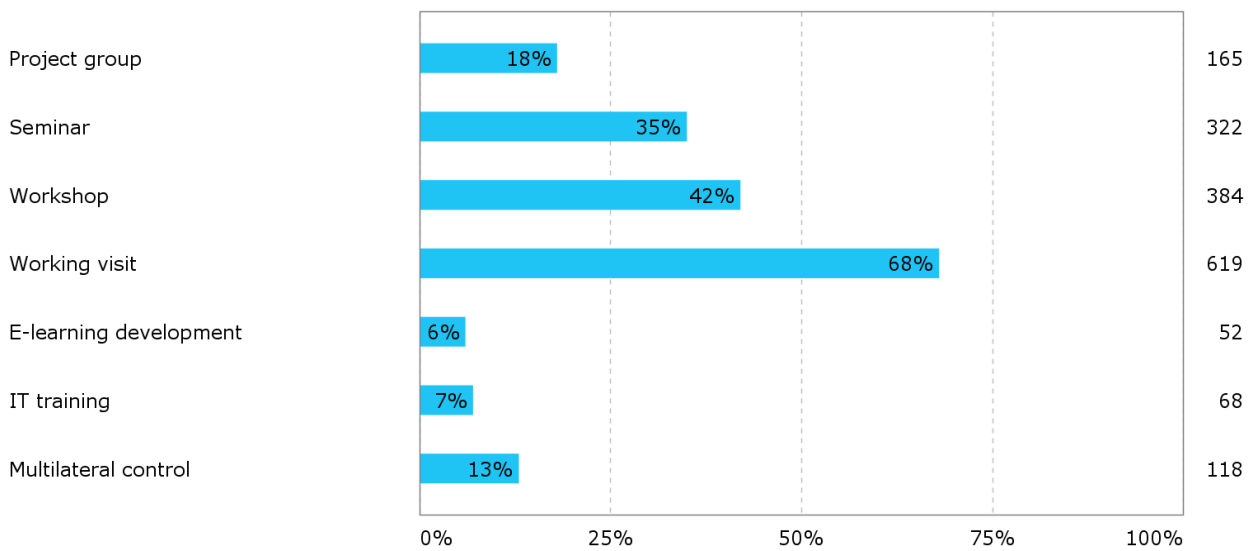


**Figure 17 Have you ever participated in a programme activity? (Q17)**

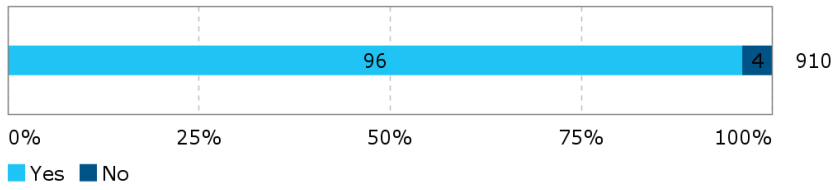


**Figure 18 What programme activity did you participate in? (Q18)**

Multiple choices, n=886

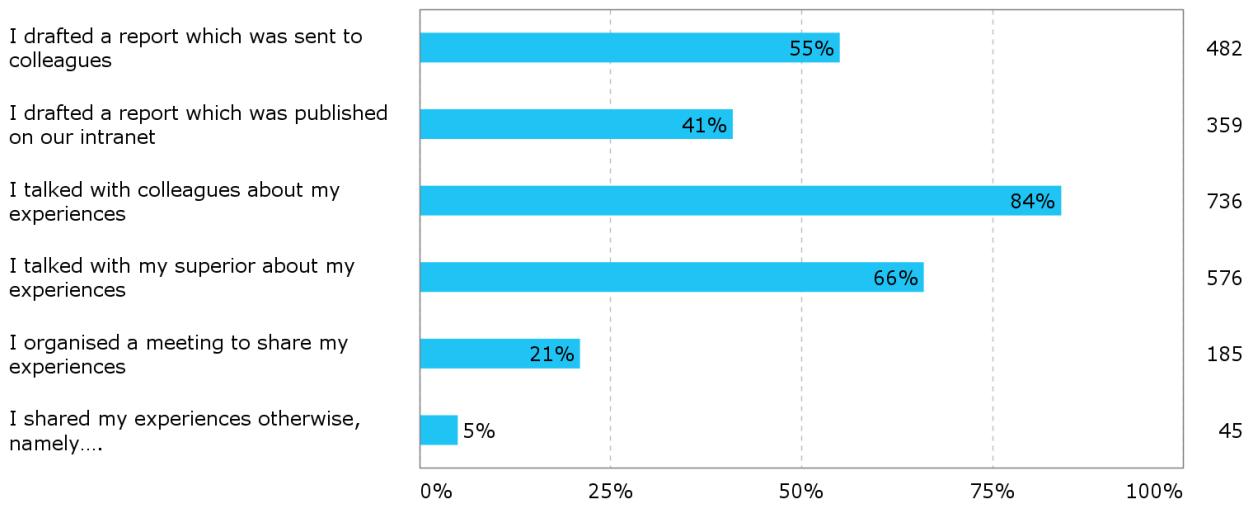


**Figure 19 Did you share your experiences of the activity with colleagues? (Q19)**

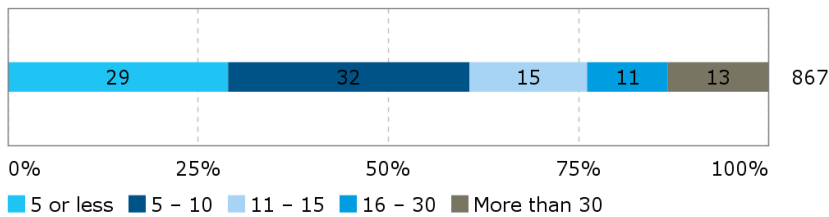


**Figure 20 How did you share your experiences of the activity with colleagues? (Q20)**

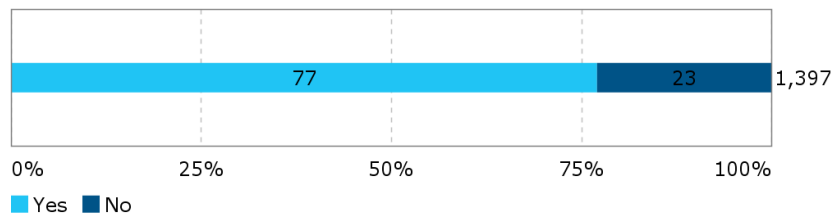
Multiple choices, n=848



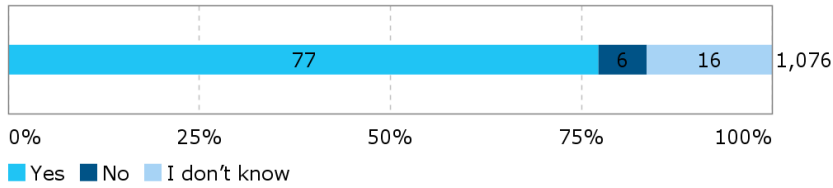
**Figure 21 Based on your estimation, how many colleagues within your administration are likely to have *directly* benefited from your participation in a programme activity? (Q21)**



**Figure 22 Do you know any colleagues in your administration who participated in a programme activity in the period 2007 – 2013? (Q22)**

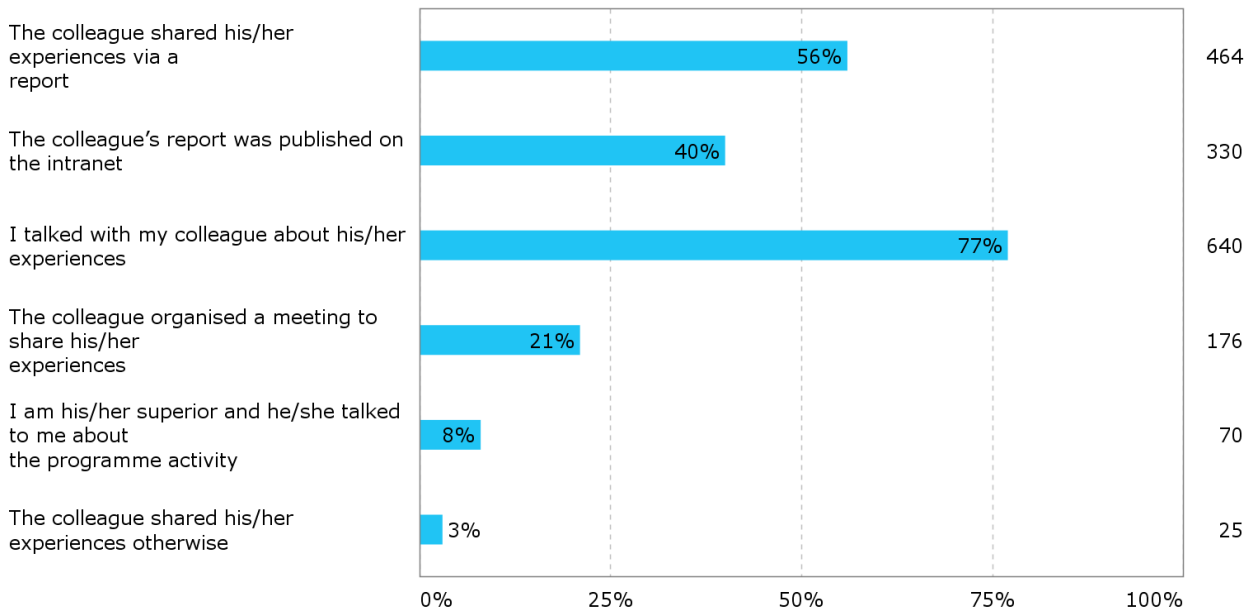


**Figure 23 Did this colleague share his/ her experiences of that programme activity? (Q 23)**



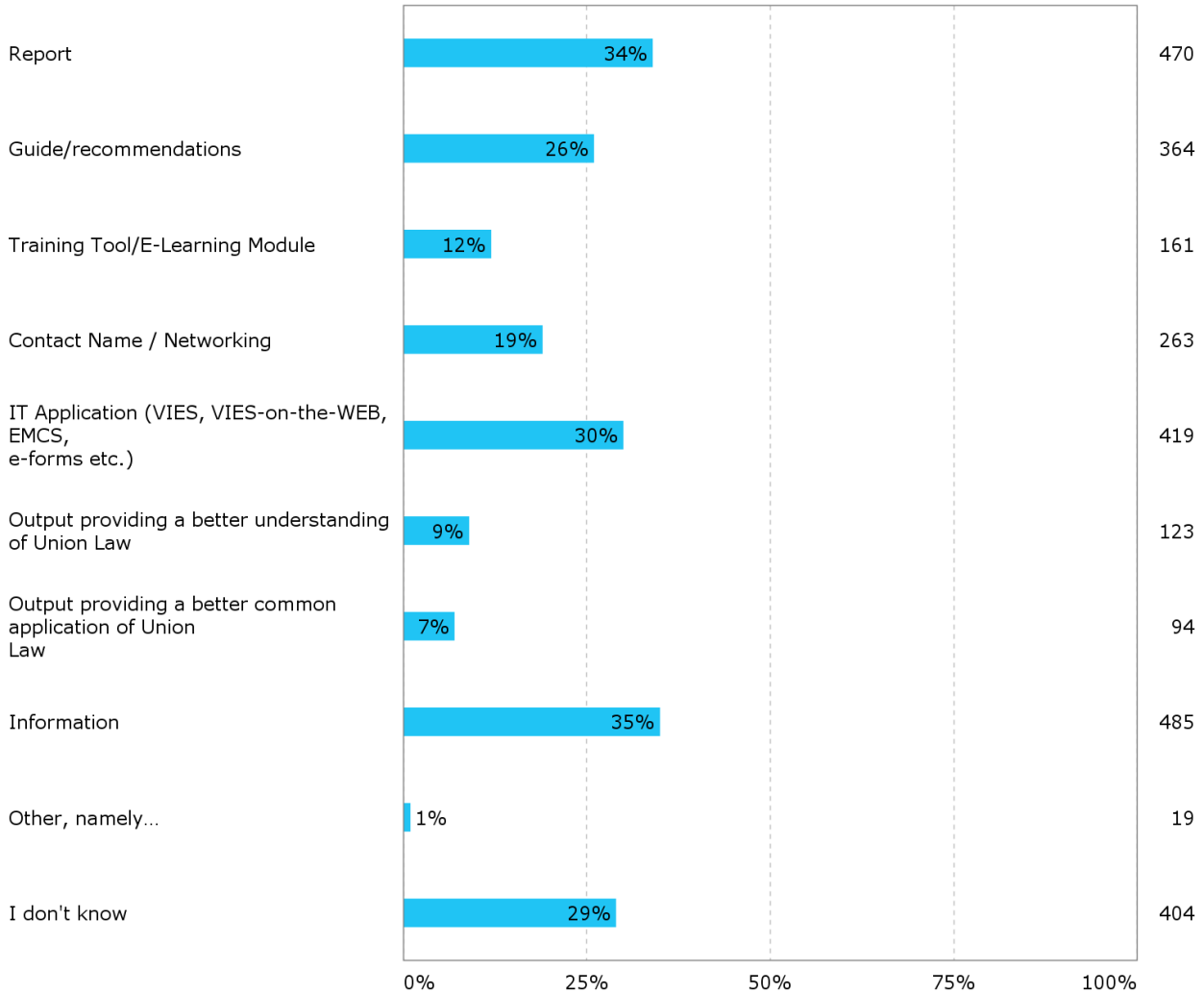
**Figure 24 How did this colleague share his/ Her experiences of the activity? (Q24)**

Multiple choices, n=1809

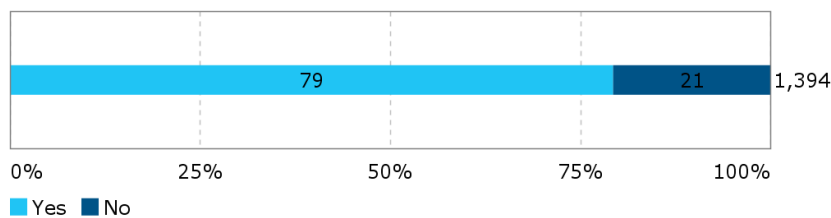


**Figure 25 As part of your work in the last seven years (2007 – 2013), have you ever used an output produced by any of the programme’s activities? If so, please indicate which one(s). (Q25)**

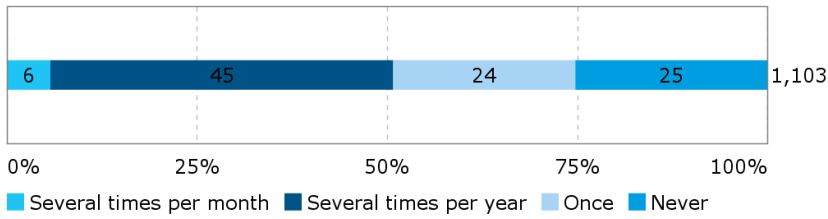
Multiple choices, n = 1390



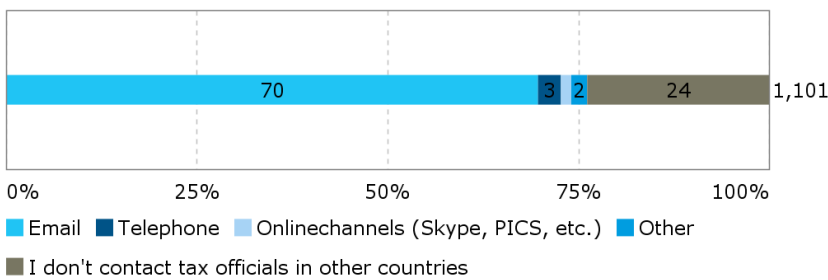
**Figure 26 Did you think that the programme activities that you participated in provided a good opportunity for you to expand your network of (and contacts with) tax officials abroad? (Q26)**



**Figure 27 How often did you contact the tax officials you met on the programme activity? (Q27)**

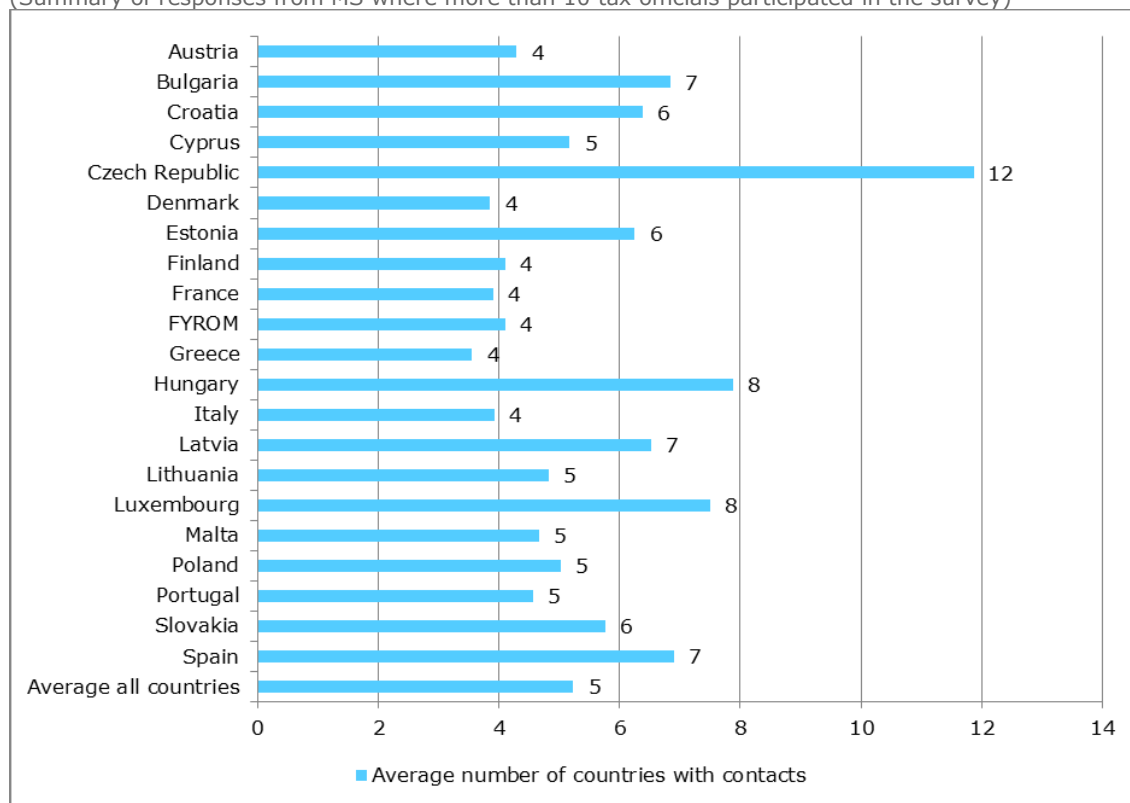


**Figure 28 How do you usually contact other tax officials abroad? (Q28)**

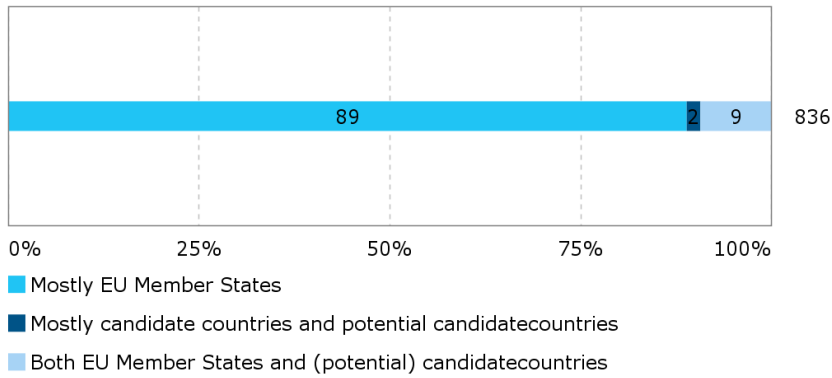


**Figure 29 In how many countries do you have colleagues with whom you (regularly or occasionally) contact for your work? (Q29)**

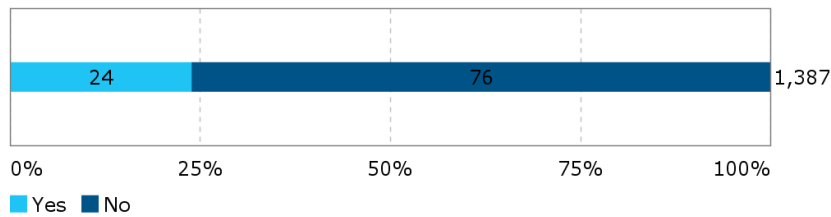
(Summary of responses from MS where more than 10 tax officials participated in the survey)



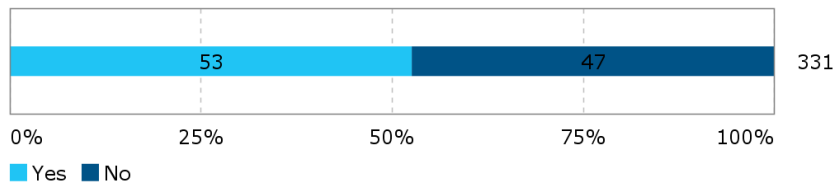
**Figure 30 In which countries are these colleagues situated? (Q30)**



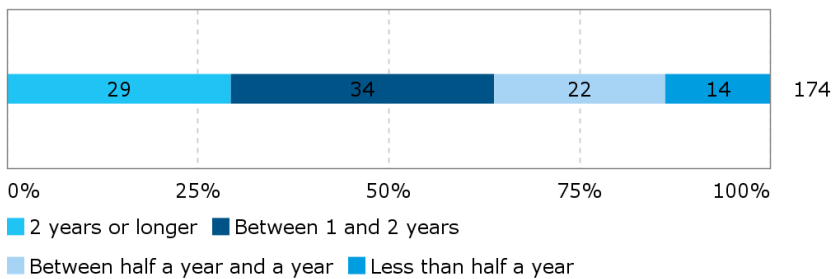
**Figure 31 Are you aware of the online platform PICS, which supports the Fiscalis programme activities? (Q31)**



**Figure 32 Are you registered on PICS? (Q32)**

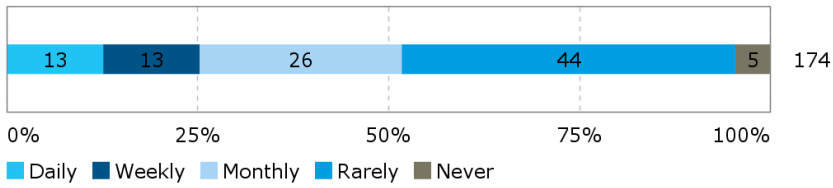


**Figure 33 How long have you been registered on PICS (Q33)**



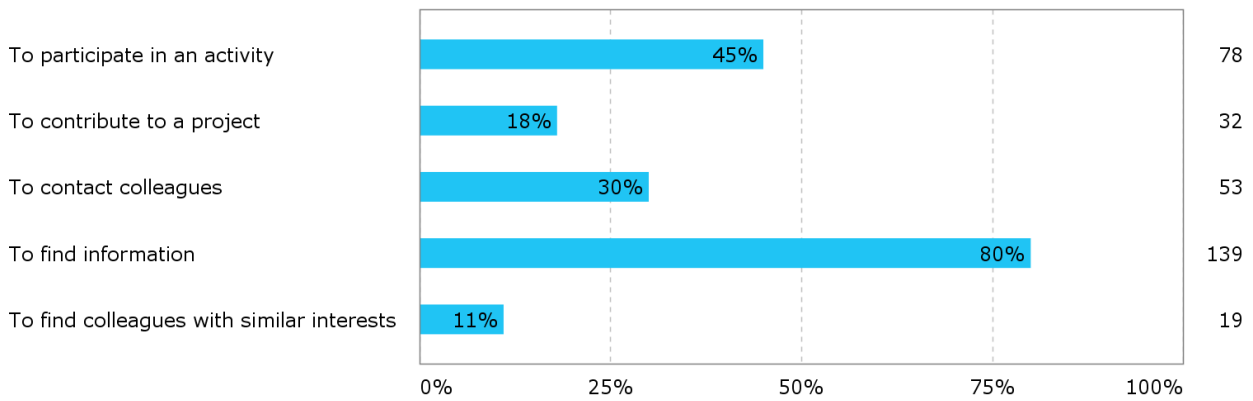


**Figure 34 How often do you use PICS? (Q34)**



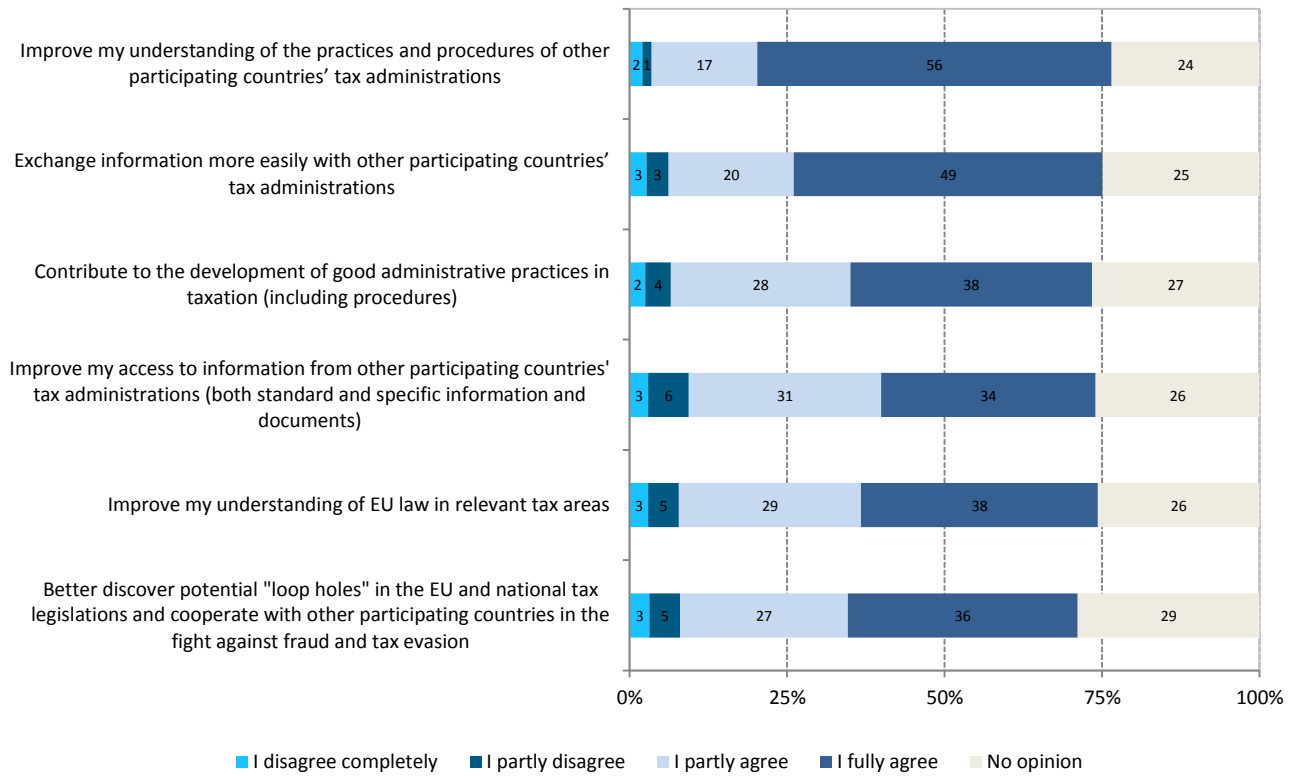
**Figure 35 For what purpose do you use PICS? (Q35)**

Multiple choices, n = 174

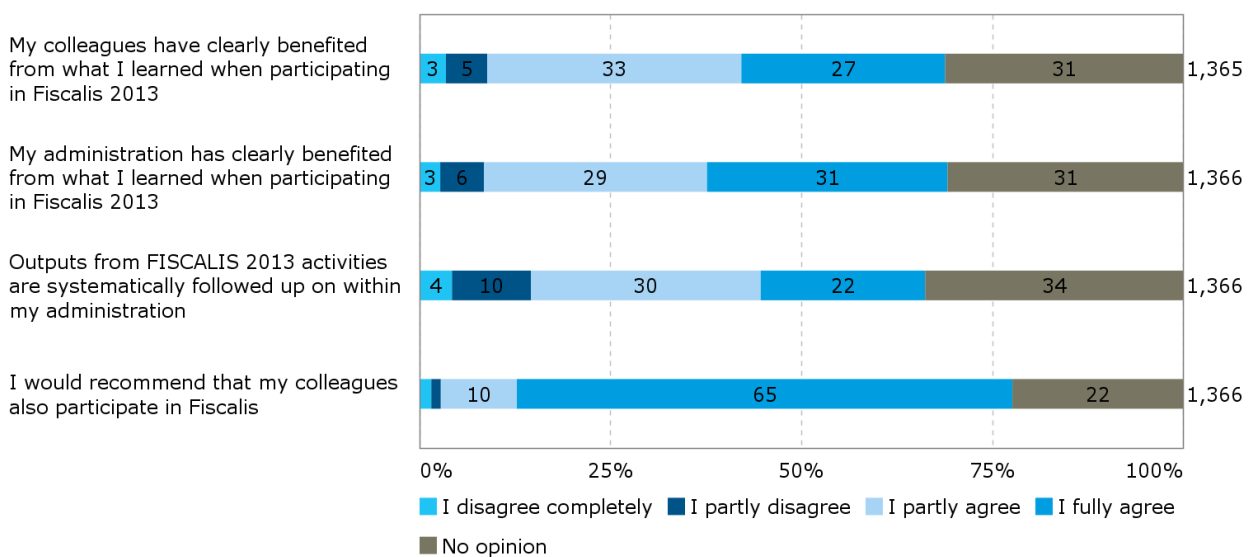


### Experience with Fiscalis 2013

**Figure 36 My participation in Fiscalis 2013 events and activities enabled me to... (Q36)**



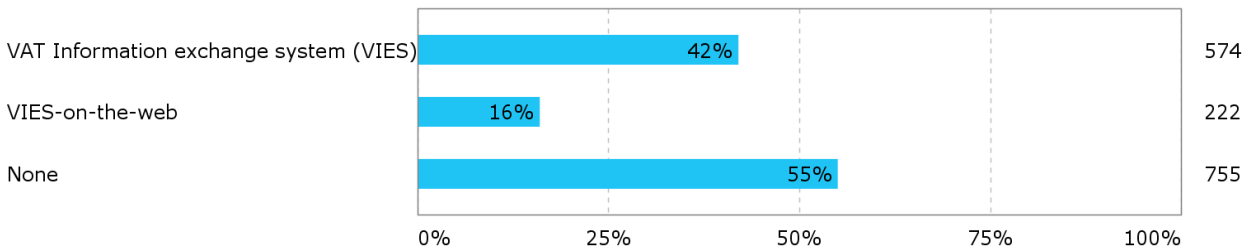
**Figure 37 Please indicate to what extent you agree to the following statements. (Q37)**



## Communications and information exchange systems

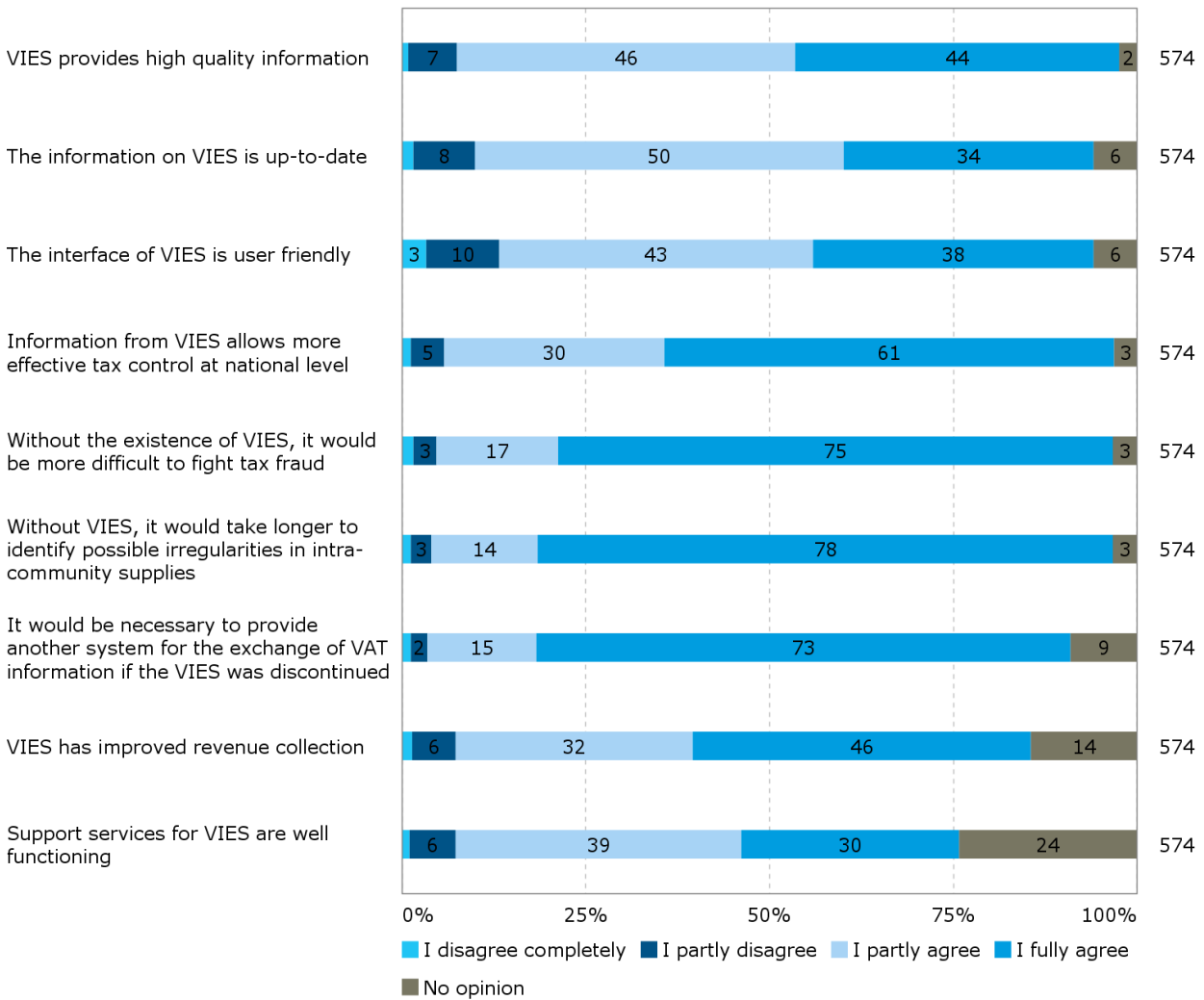
**Figure 38 Do you regularly use any of the following Trans-European IT Systems for information exchange within the area of taxation? (Q38)**

Multiple choices, n = 1369



**Figure 39 Please comment on the following statements regarding VIES (Q39A)**

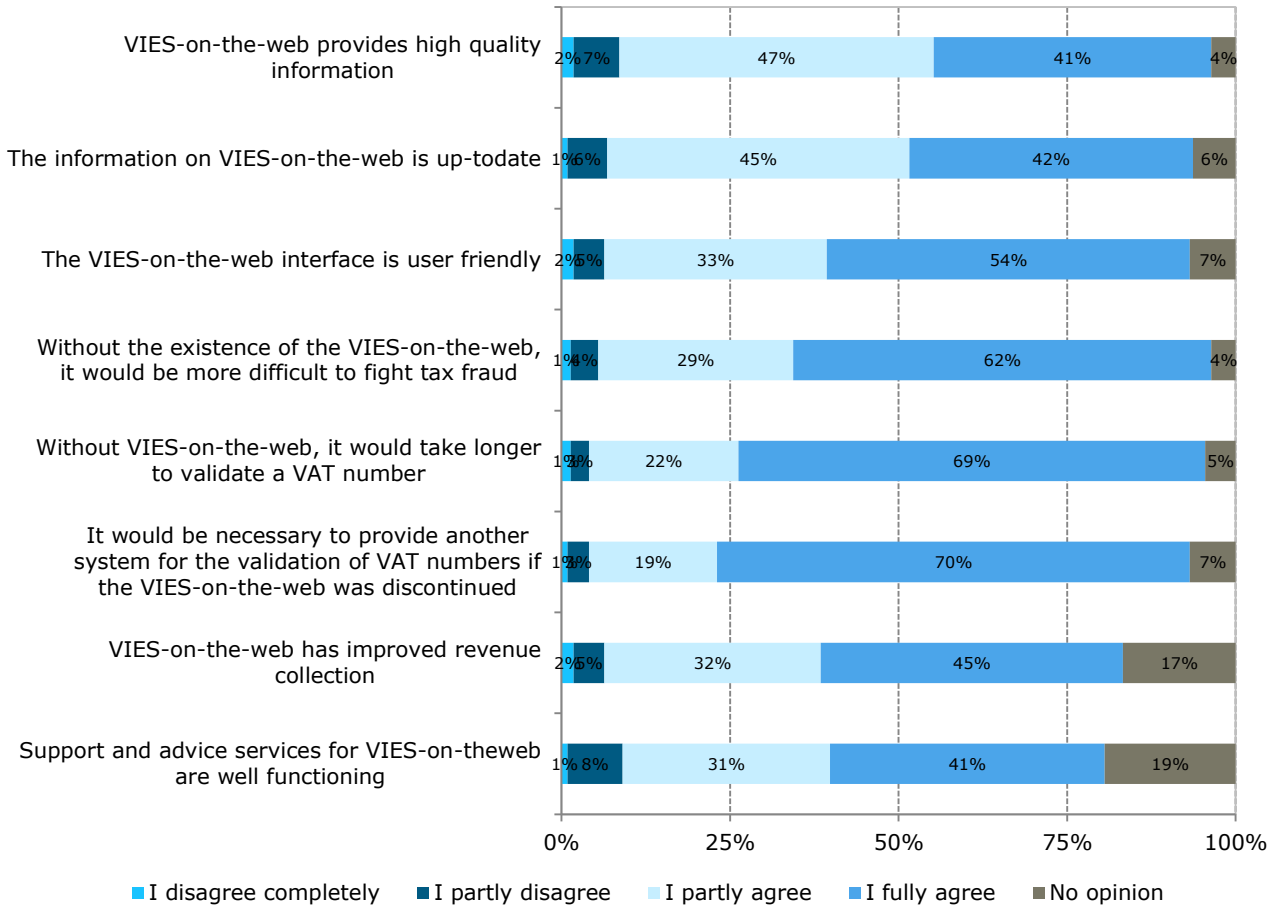
N = 574



**Figure 40 Please comment on the following statements regarding VIES-on-the-web (Q39B)**

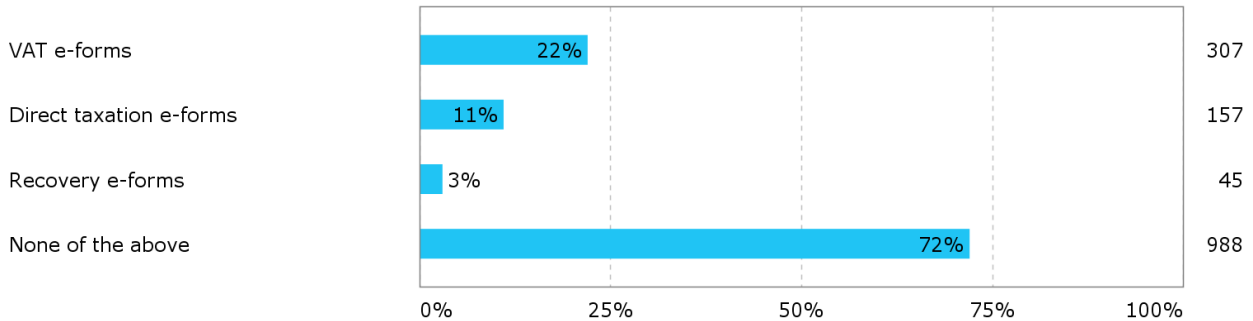
N=

221



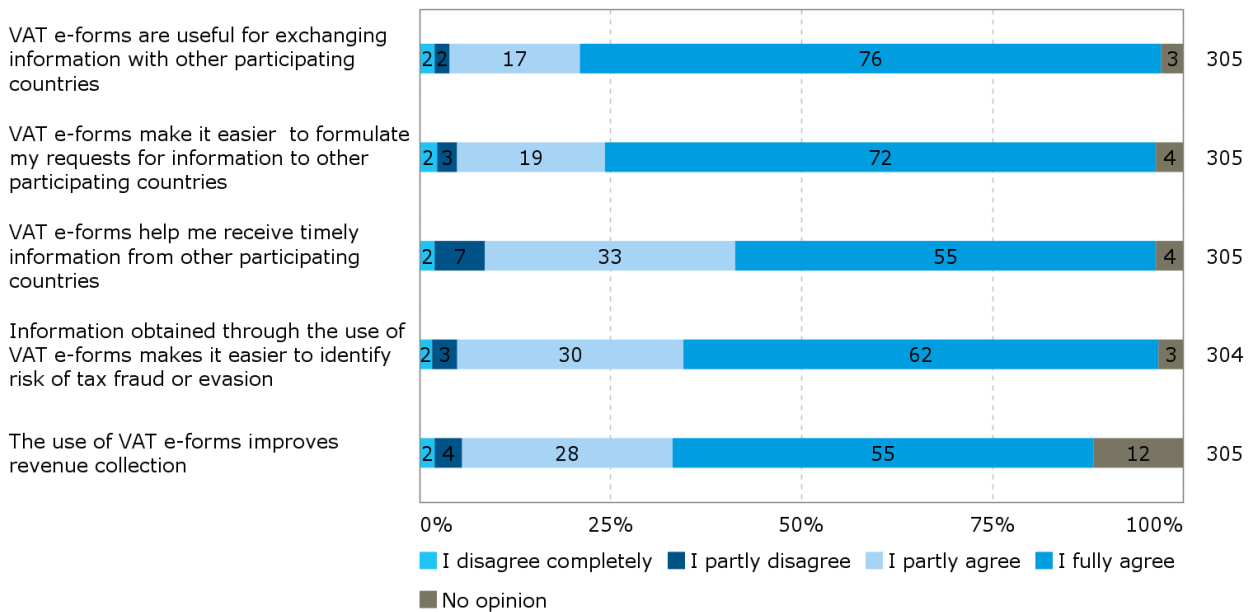
**Figure 41 Do you regularly use any of the following e-forms for administrative cooperation and information exchange? (Q40)**

Multiple choices, n = 1369



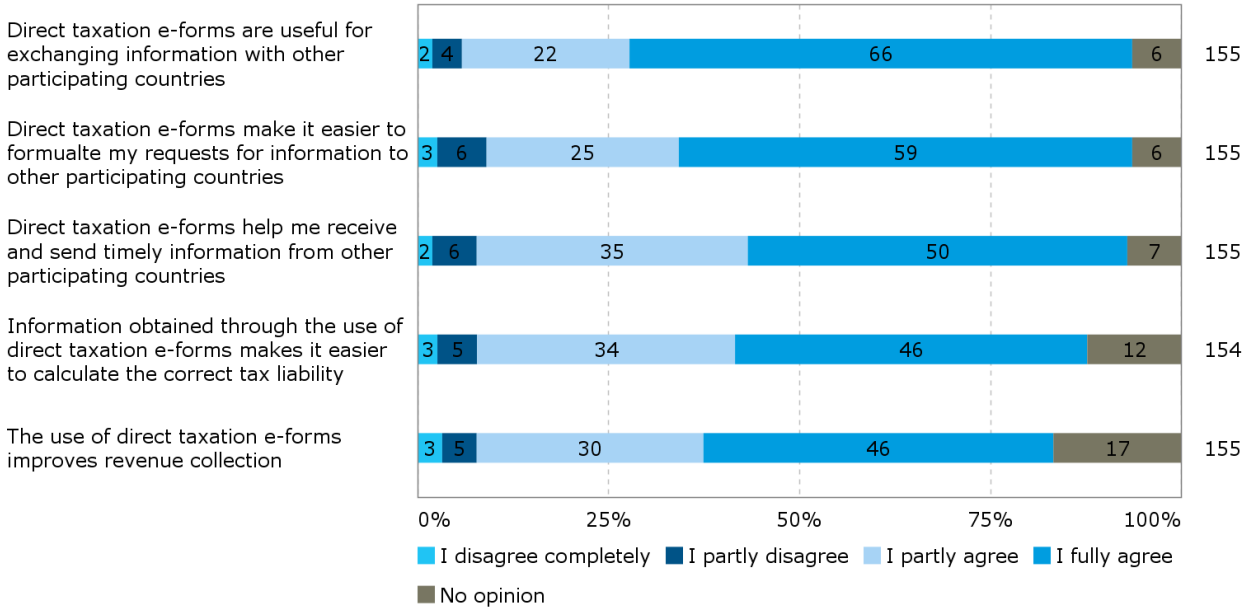
**Figure 42 Please comment on the following statements regarding VAT e-forms (Q41A)**

N= 305



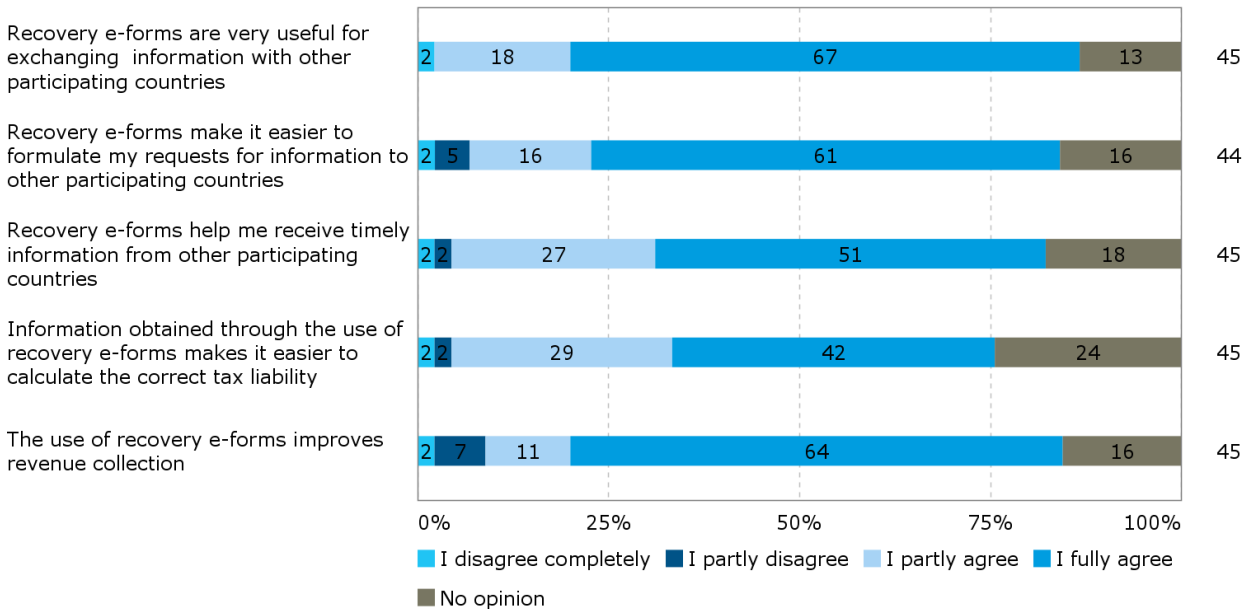
**Figure 43 Please comment on the following statements regarding Direct Taxation e-forms (Q41B)**

N= 305

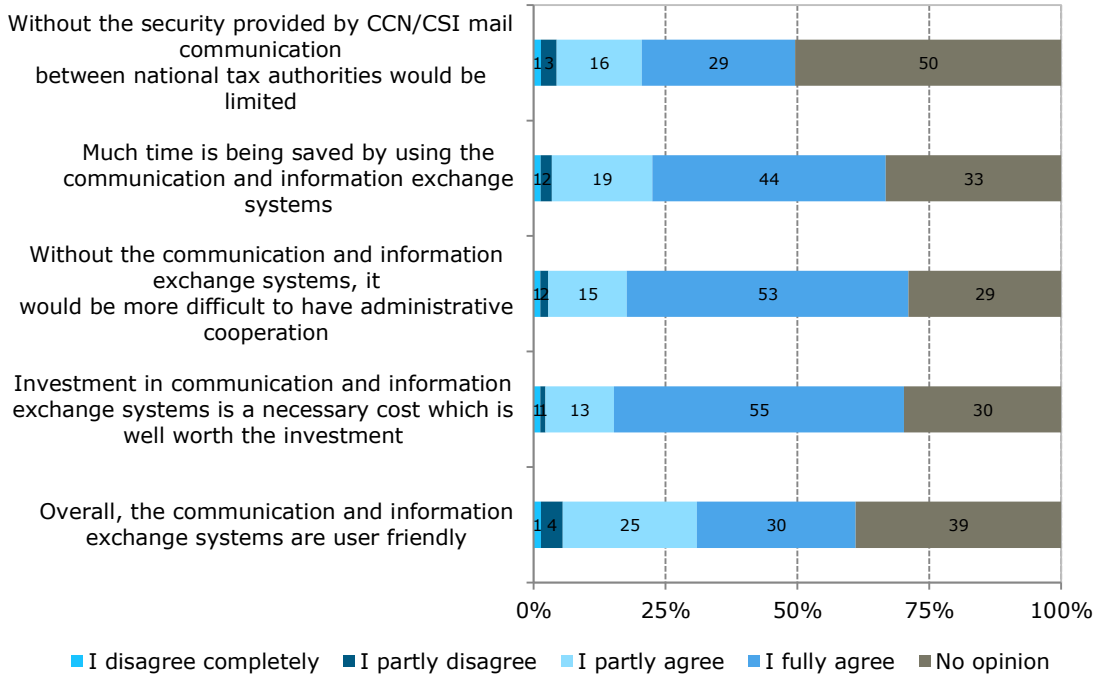


**Figure 44 Please comment on the following statements regarding recovery e-forms. (Q41C)**

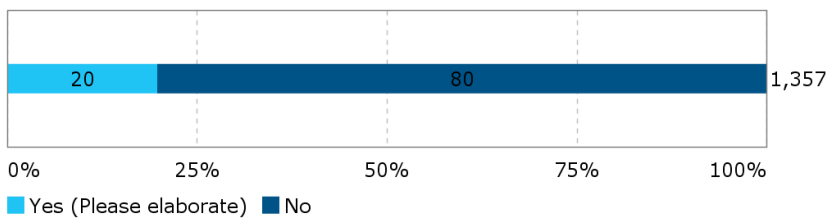
N= 45



**Figure 45 Please comment on the following statements regarding the communication and information exchange systems. (VIES, VIES-on-the-web, EMCS and related tools, VAT refund, TIN-on-the-web, e-forms, CCN mail) (Q42)**



**Figure 46 Are there other areas of taxation for which you would like to see systems to facilitate information exchange or other instruments for administrative cooperation developed? (Q44)**





## Annex 2. Survey to National coordinators

### Background Information

**Table 1 In which country do you work?**

	Respondents 2014	Percent	Respondents 2011	Percent
Austria	0	0,0%	1	2%
Belgium	2	4,7%	1	2%
Bulgaria	1	2,3%	2	4%
Croatia	1	2,3%	1	2%
Cyprus	2	4,7%	3	6%
Czech Republic	1	2,3%	1	2%
Denmark	1	2,3%	1	2%
Estonia	1	2,3%	1	2%
Finland	2	4,7%	4	8%
France	3	7,0%	2	4%
FYROM	2	4,7%	1	2%
Germany	1	2,3%	1	2%
Greece	2	4,7%	2	4%
Hungary	1	2,3%	1	2%
Ireland	1	2,3%	1	2%
Italy	3	7,0%	2	4%
Latvia	1	2,3%	1	2%
Lithuania	1	2,3%	1	2%
Luxembourg	2	4,7%	2	4%
Malta	1	2,3%	1	2%
Netherlands	1	2,3%	1	2%
Poland	1	2,3%	1	2%
Portugal	1	2,3%	2	4%
Romania	1	2,3%	1	2%
Serbia	1	2,3%	1	2%
Slovakia	2	4,7%	3	6%
Slovenia	1	2,3%	1	2%
Spain	1	2,3%	2	4%
Sweden	2	4,7%	3	6%
Turkey	3	7,0%	2	4%
United Kingdom	0	0,0%	1	2%
<b>Total</b>	<b>43</b>	<b>100,0%</b>	<b>48</b>	<b>96%</b>

**Table 2 In which taxation area do you work?**

	Number	Percent	Number 2011	Percent 2011
VAT	21	48,8%	19	40%
Excise	14	32,6%	16	33%
Direct taxation	19	44,2%	11	23%
Other (please specify)	19	44,2%	20	42%
<b>Total</b>	<b>43</b>		<b>48</b>	

## Relevance

**Table 3 In your opinion, what are the main challenges faced by the national tax administration with respect to improving the proper functioning of the taxation systems in the internal market? (Q1)**

Please rank the needs 1 to 3, with 1 being the most important. (percentages for 2011 in brackets)

	1	2	3
High level of tax fraud and tax evasion	74% (71%)	17% (17%)	10% (13%)
High administrative burden on tax payers and tax administrations	24% (15%)	57% (54%)	19% (31%)
Lack of uniform and efficient implementation of Community Law	17% (15%)	45% (29%)	38% (56%)

**Table 4 Which objectives of Fiscalis 2013 have been the most appropriate to target these needs according to you? (Q3)**

Please rank the needs 1 to 4, with 1 being the most important (percentages for 2011 in brackets).

	1	2	3	4
Secure efficient, effective and extensive information exchange	57,1% (48%)	21,4% (13%)	11,9% (29%)	9,5% (10%)
Enable officials to achieve a high standard of understanding of Community law and its implementation in MS	28,6% (21%)	31,0% (13%)	23,8% (19%)	16,7% (48%)
Sharing, development and dissemination of good administrative practices	50,0% (17%)	16,7% (29%)	23,3% (31%)	9,5% (23%)
Improve cooperation between administrations, ensuring better application of existing rules	38,1% (15%)	40,5% (46%)	14,3% (21%)	7,1% (19%)

**Table 5 Please answer to the below questions on the FISCALIS 2013 programme (Q4)**

(percentages for 2011 in brackets)

	<b>Not at all</b>	<b>To a limited degree</b>	<b>To some degree</b>	<b>To a high degree</b>	<b>Do not know</b>
To what extent do you expect the continued implementation of FISCALIS to meet your needs?	0% (0%)	2,3% (6%)	27,9% (29%)	67,4% (65%)	2,3% (0%)
To what extent are the main challenges faced by the national tax administration appropriately addressed by the FISCALIS 2013 programme so far?	0% (0%)	4,7% (6%)	23,3% (44%)	65,1% (50%)	7% (0%)
To what extent does the programme adequately address emerging needs and issues?	0% (0%)	4,7% (8%)	37,2% (46%)	48,8% (46%)	9,3% (0%)

## Implementation/ Management

**Table 6 Please rate the following statements about the implementation and management of the FISCALIS 2013 programme (Q6)**

(percentages for 2011 in brackets)

	Not at all	To a limited degree	To some degree	To a high degree	Do not know
The Commission has consulted sufficiently with national administration on relevant priorities and initiatives	2,3% (2%)	4,7% (4%)	44,2% (35%)	46,5% (56%)	2,3% (2%)
The programme management has been sufficiently responsive to the needs and wishes of national administrations	2,3% (2%)	2,3% (6%)	44,2% (27%)	46,5% (63%)	4,7% (2%)
Lessons learned from previous FISCALIS programmes has been used actively in the implementation of the current programme	2,3% (2%)	0% (2%)	39,5% (42%)	37,2% (44%)	20,9% (10%)
It has been easy to receive guidance from the programme management on how to apply for funding	0% (0%)	2,3% (0%)	23,3% (25%)	69,8% (71%)	4,7% (4%)
The guidelines and manuals developed by the programme management have been useful and relevant for us	2,3% (0%)	0% (2%)	11,6% (15%)	83,7% (83%)	2,3% (0%)
Coordination of activities has been well functioning	2,3% (0%)	2,3% (4%)	27,9% (17%)	67,4% (77%)	0% (2%)
Monitoring and feed-back procedures have provided a good picture of the progress of the programme	0% (2%)	9,3% (10%)	41,9% (46%)	41,9% (40%)	7% (2%)
There has been sufficient information sharing between the programme management and the national administrations	0% (0%)	9,3% (8%)	39,5% (40%)	46,5% (50%)	4,7% (2%)
The Activity Reporting Tool (ART2) for financial reporting has been easy to use	0% (4%)	7% (8%)	39,5% (42%)	30,2% (29%)	23,3% (17%)
The ART2 has contributed to improving the information sharing between the Commission and tax administrations	0% (2%)	9,3% (10%)	34,9% (27%)	32,6% (40%)	23,3% (21%)
The CIRCA system has been easy to use	2,3% (8%)	14% (25%)	48,8% (29%)	32,6% (38%)	2,3% (0%)
The CIRCA system contributed to improving the information sharing between the Commission and tax administrations	0% (2%)	4,7% (19%)	55,8% (38%)	37,2% (40%)	2,3% (2%)

**Table 7 Please rate the following statements regarding the value for money of Fiscalis 2013 funded activities (Q7)**

(percentages for 2011 in brackets)

	<b>Not at all</b>	<b>To a limited degree</b>	<b>To some degree</b>	<b>To a high degree</b>	<b>Do not know</b>
Participation in the activities carried out under FISCALIS 2013 are a reasonable cost for tax administrations	4,7% (4%)	7% (10%)	32,6% (27%)	51,2% (54%)	4,7% (4%)
Meeting locations are not a hindering factor for tax officials participation in activities	14% (4%)	13% (6%)	35% (38%)	48% (50%)	0% (2%)
National expenses incurred for tax officials participating in Fiscalis 2013 activities do not hinder their participation	14,0%	9,3%	37,2%	27,9%	11,6%
According to my opinion, the same activities would cost less if organised and funded by the Member States themselves <sup>104</sup>	44,2%	18,6%	9,3%	4,7%	23,3%
The IT systems for exchange of information (VIES, EMCS, CCN/CSI, etc) are a necessary cost which is well worth the investment	0% (0% )	0% (2%)	7% (10%)	76,7% (75%)	16,3% (13%)

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<sup>104</sup> Question was formulated differently in 2011 and the data is not comparable

## Effectiveness

**Table 8 On an overall level, please assess the extent to which the Fiscalis 2013 programme has contributed to... (Q9)**

(percentages for 2011 in brackets)

	Not at all	To a limited degree	To some degree	To a high degree	Do not know
Improving access to information from other Member States' tax administrations (both standard and specific information and documents)	0% (0%)	4,8% (4%)	38,1% (31%)	50% (60%)	7,1% (4%)
Improving the officials' understanding of the community law	0% (0%)	4,8% (0%)	31% (54%)	59,5% (46%)	4,8% (0%)
Improving the officials' understanding of the practices and procedures of other Member States' tax administrations	0% (0%)	2,4% (2%)	26,2% (31%)	66,7% (65%)	4,8% (2%)
Exchange of good administrative practices in taxation (including procedures)	0% (0%)	2,4% (2%)	31% (35%)	61,9% (60%)	4,6% (2%)
Improving the sharing of information between the Commission and Member State administrations	0% (0%)	2,4% (4%)	31% (38%)	57,1% (56%)	9,5% (2%)
Improving administrative cooperation with other Member States' tax administrations	0% (0%)	4,6% (2%)	23,8% (29%)	66,7% (65%)	4,8% (4%)

**Table 9 Please assess the extent to which Fiscalis 2013 activities carried out have contributed directly to: (Q11)**

(percentages for 2011 in brackets)

	<b>Not at all</b>	<b>To a limited degree</b>	<b>To some degree</b>	<b>To a high degree</b>	<b>Do not know</b>
Improved administrative practices (and/or procedures) in your administration, in relevant taxation fields	2,4% (2%)	4,8% (13%)	47,6% (60%)	38,1% (23%)	7,1% (2%)
Aligned administrative practices (and/or procedures) between the Member States' tax administrations, in relevant taxation fields	0% (2%)	9,5% (21%)	40,5% (56%)	33,3% (19%)	16,7% (2%)
Improved overall level of interaction and cooperation with other Member States' tax administrations	2,4% (0%)	2,4% (4%)	28,6% (48%)	59,5% (44%)	7,1% (4%)
Increased the information sharing between the Commission and tax administrations	0% (0%)	4,8% (4%)	35,7% (31%)	47,6% (58%)	11,9% (6%)
Reduced incidence of fraud and tax evasion in the internal market	0% (4%)	4,8% (10%)	47,6% (54%)	28,6% (13%)	11,9% (19%)
Reduced cost of the fight against fraud in the internal market	4,8% (4%)	2,4% (10%)	50% (54%)	26,2% (13%)	16,7% (19%)
Reduced administrative burden on the tax payers	2,4% (2%)	19% (33%)	47,6% (46%)	28,6% (8%)	11,9% (10%)
Reduced administrative burden for tax administrations	2,4% (2%)	9,5% (25%)	47,6% (48%)	28,6% (15%)	11,9% (10%)
Overall, an effective functioning of the taxation systems in the internal market	2,4% (0%)	0% (6%)	45,2% (69%)	33,3% (19%)	19% (6%)

## Added value

**Table 10 How would you compare a hypothetical situation – without Fiscalis 2013, i.e. the Member States would have to organize themselves to cooperate – with the current situation? (Q13)**

(percentages for 2011 in brackets)

	Significantly lower	Lower	Similar	Higher	Significantly higher	Do not know <sup>105</sup>
... the number of multilateral control-related activities would be:	61,9% (56%)	21,4% (35%)	4,8% (4%)	0% (2%)	0% (2%)	11,9%
... the volume of information exchanged between the Member States' tax administrations would be:	42,9% (35%)	40,5% (48%)	7,1% (10%)	2,4% (6%)	2,4% (0%)	4,8%
... the overall level of interaction and cooperation with other Member States' tax/customs administrations would be:	33,3% (33%)	59,9% (54%)	2,4% (8%)	2,4% (2%)	0% (2%)	2,4%
... the average tax official's understanding of the practices and procedures of other Member States' tax administrations would be:	35,7% (27%)	47,6% (63%)	9,5% (8%)	2,4% (2%)	0% (0%)	4,8%
... the average tax official's understanding of the community laws would be:	19% (17%)	64,3% (71%)	9,5% (10%)	2,4% (2%)	0% (0%)	4,8%
... the level of detection of tax fraud and tax evasion would be:	28,6% (15%)	47,6% (63%)	9,5% (21%)	0% (2%)	2,4% (0%)	11,9%
... the time spent on information exchange between the Member States' tax administrations would be:	21,4% (17%)	9,5% (23%)	4,8% (10%)	33,5% (35%)	26,2% (15%)	4,8%
... the cost of the fight against fraud in the internal market would be:	7,1% (6%)	11,9% (23%)	9,5% (27%)	33,3% (31%)	21,4% (13%)	16,7%

<sup>105</sup> no "do not know" option in 2011 survey



## **Annex 3. Case studies reports**

### **Case study report - Spain**

#### **1. Introduction**

This case study attempts to provide a picture of the effects Fiscalis 2013 has delivered in Spain throughout the duration of the programme. The study pays particular attention to the use of the Fiscalis IT systems. Along with the four other case studies, the present one will feed into the Final Evaluation as a data source.

The purpose of the case study is to provide holistic evidence of the context in which Fiscalis 2013 contributed to realising programme objectives in Spain. As the contribution of Fiscalis 2013 is related to contextual factors, findings are not directly generalizable to other Member States, but it does enable cross analysis in the taxation areas. The goal here is to use the case studies as sources of detailed assessments of how Fiscalis 2013 contributed to reaching its objectives in a Member State context.

The case study's findings have been organised in sections examining the outcomes of Fiscalis 2013 by tax area rather than based on IT tools or activities. The purpose of this has been to allow the contribution story to examine the underlying mechanisms which deliver the effects within the tax areas. This allowed for the investigation of how Fiscalis 2013 contributed to delivering these outcomes in the context of Spain, whereas an activity based approach would not allow for a complete narrative on the contribution to effect observed in Member States.

#### **2. Methodology**

This case study has been designed as part of a Contribution Analysis which allows the study to go into depth with the practical usefulness of the programme - in particular IT systems - to the tax administration in Spain. The purpose is to assess to what extent the programme has produced the expected outcomes in a Member States context.

The case study bases itself on interviews with 21 tax officials conducted in Spain in March 2014. The interviews were conducted as semi-structured interviews of approximately one hour duration. The interview questions were based on the hypotheses set out in the Final Evaluation, but also included questions on the interviewees' professional background within the administration as well as their experience with Fiscalis 2013. The following sections present the information gathered during those interviews and thereby offers an insight into how Fiscalis 2013 has contributed to the daily activities in the national tax authorities.

These interviews have allowed a level of detail which has given the study team the opportunity to recognize links not only between activities and outputs, but also between outputs, outcomes and results. As a result the case study provides a more complete picture of Fiscalis 2013's contribution to the national tax systems than would be provided by a cross-sectional analysis. Furthermore, the case study has helped reveal contextual and internal factors which have affected how Fiscalis 2013 has delivered results in Spain. In other words, the case study has allowed for the contextualisation of Fiscalis 2013.

This is crucial when assessing the importance of alternative explanations, contextual and internal drivers and inhibitors.

In the Final Evaluation, the case studies fed into the study as a data source alongside the data gathered through the surveys as well as the secondary data.

### 3. Value Added Tax

This section is structured around **the main outcome and main result** of Fiscalis 2013 within the area of VAT as set out in the Evaluation. The first two sections examine the main outcome and main result within the area of VAT:

1. The increased effectiveness of Member State administrations' in monitoring and controlling the flow of intra-EU trade (outcome)
2. The reduction of the administrative burden for tax administrations and economic operators (result)

The last section presents the overall assessment of Fiscalis 2013 contribution to the expected results of the programme in Spain.

Additionally, emphasis is placed on the **central output**, i.e. the automated exchange of VAT-related information between Member States' tax administrations. In relation to the IT systems the case study focuses specifically on the following instruments: VIES, VIES-on-the-web, VAT refund and e-Forms.

In Spain, tax officials working with VAT related tools and joint actions were often part of departments which had responsibilities across tax areas. For example, an official from the tax recovery department, engaging in mutual assistance across various tax areas, might use e-Forms and VIES in his or her daily work.

Large companies engaged in a high numbers of international transactions were dealt with centrally in the *Delegación Central de Grandes Contribuyentes*, or Large Taxpayers Office, which dealt with all their tax-related issues. By having a single office coordinating the tax matters through a "whole tax cycle" approach, it was intended for the office to increase their level of specialization in cross-border taxation matters and provide expertise in international tax matters, not only for the large taxpayer but also for the regional offices and auditors. Regional offices had responsibility for small and medium-sized businesses, depending on where their fiscal address was established, and were involved in the day-to-day tax operations such as handling VAT declarations, auditing and inspections.

The Central Liaison Office (CLO) centralised the functioning of all administrative cooperation, including sending requests for information (for Direct taxes and VAT) to and receiving them from other participating countries. However, within the CLO team there was division of labour between exchanges related to VAT and those related to Direct taxes. The office also played a role in terms of identifying potential areas of risk and forwarding to the regional authorities any potential irregularities or cases of non-compliance, as well as handling requests for information on their behalf.

#### 3.1 The increased effectiveness of Member State administrations in monitoring and controlling the flow of intra-EU trade

Evidence collected during the case study suggests that the impact Fiscalis 2013 has in this area was high, by providing the tools necessary for effectively monitoring and

controlling of intra-EU transactions and ensuring the related VAT is accounted for. From the evidence collected, the main Fiscalis tools or activities that, according to Spanish administration, contributed to this objective were:

- VAT Information Exchange System (VIES);
- Joint actions;
- MLCs.

### 3.1.1 VIES' contribution to the fight against fraud

There was a consensus among interviewees that the VIES system was crucial to help monitor and control the VAT related to the flow of intra-EU trade. It was generally agreed that without VIES, a similar system fulfilling the same function would have to exist in some form or another, if the principle of taxation in the Member State of destination were to continue to underpin the EU VAT system.

Key information from VIES (information on intra-EU supplies made by businesses established in another country) was considered necessary in order to identify discrepancies with information on domestic VAT declarations. Respondents were unable to put any value on the tax recovered or fraud prevented as a result of having VIES, but it was considered that the impact in this area was considerable, as it is currently the only way of checking this type of information.

The quality of the national IT systems was frequently cited as a factor that made it easier to handle the information from VIES. According to interviewees, Spain was one of the first Member States to introduce their own IT system – INTER - to share this type of information.<sup>106</sup> Every tax inspector in Spain has access to this database, which is integrated with VIES, allowing officials to produce reports such as transactions per country or make specific queries on VAT numbers. This meant that information from VIES could be used in a more targeted way to identify potential fraud. INTER allowed all the data on national taxpayers to be accessed via one interface, allowing officials to see the profile of each taxpayer and check what declarations/documents had been submitted, thus enabling any irregularities to be more easily flagged up.

In addition, the use of the risk analysis tool called *Zujar* was highlighted.<sup>107</sup> Taxpayer information on *Zujar*, organized into VAT categories such as transactions, immovable property, etc., could be cross-checked with information on receipts to flag up any difference between the amount of VAT a taxpayer declares and the amount for which he/she is liable, and was highlighted as a means to use the information from VIES to its full effect. According to interviewees, Spain has a high level of electronic submission of taxpayer information, (e.g. VAT declaration) which helped to ensure good quality of information, thus increasing the ability to more effectively identify irregularities.

### 3.1.2 Joint actions

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<sup>106</sup> INTER is a workflow application that supports the procedure to handle incoming and outgoing requests. According to the IT department it is designed to be used naturally in the daily work of a tax official and has the capacity to store documents electronically.

<sup>107</sup> Analytical tools used by the Spanish tax authority are divided into "extensive" analysis which automatically analyses all taxpayers, or "intensive", which selects those which represent the highest fraud risk.

The main value of joint actions was considered to be primarily related to exchanging good practice and knowledge between tax officials. Respondents were reluctant to link them directly with an improved ability to control movements or a reduction in fraud levels, but rather emphasised the long term value of events such as seminars and workshops, which helped tax officials and auditors to be more open to international cooperation, or to seek advice from counterparts in other Member States in relevant cases.

However, specific instances where information was directly applicable to the daily work of officials were identified. For example, seminars on the structure of other Member States tax administrations permitted Spanish tax officials sending requests for information there to ensure that the necessary information was included for the request to be dealt with efficiently. The value of joint actions was also mentioned in terms of helping officials respond to requests for information. For example, going on a working visit to a specific Member State enabled officials to have a better understanding of why a request for information is being sent, thus making it easier for them to process.

Fiscalis events were also mentioned as an important way to find common solutions to problems. For example, one respondent mentioned how a working group related to the new SCAC e-Form was vital to ensuring that the design was relevant to the Spanish context, as Spain had different problems than the Scandinavian countries, for example, and thus would have had problems implementing the e-Form if they had not had any involvement in the design process. The importance of such events helping to ensure the usability of common forms was underlined, as they must ultimately be adapted to function in at least 28 different realities.

Factors that influenced the usefulness of joint actions included the selection of participants (events are most useful when officials in equivalent positions and similar levels of knowledge attend) as well as the preparation organised in advance. Several respondents noted that it was useful to have some documents made available in advance in order to ensure productive discussion at the event itself.

### **3.1.3 Multilateral controls in the area of VAT (MLCs)**

All MLCs, including those related to VAT matters, are coordinated from the Tax Audit Department, through the National Office for International Taxation (ONFI). The MLC coordinator considered that MLCs were crucial in ensuring that the right tax was paid in the right Member State, not only in terms of revenues collected but also in terms of their psychological impact on the taxpayer: it was noted that there was a considerable incentive for compliance when the taxpayer realises that tax administrations are collaborating together to conduct audits.

The network of contacts formed by participation in the first MLC meeting was considered essential, as the rest of the work is done by auditors in the participating Member States who are in direct contact with each other. For example if an auditor had any doubts about legislation in another Member State, the network of contacts he or she has formed within the MLC became a vital resource in order to clarify any related points.

## **3.2 Reducing the administrative burden for tax administrations and economic operators**

The main Fiscalis funded activities identified as having an impact on the administrative burden for both the administration and economic operators were:

- VIES-on-the-web;
- Electronic VAT refund procedure;

- e-Forms.

### 3.2.1 VIES-on-the-web

The function of checking the validity of a VAT number was integrated into the Spanish VIES interface itself, and the interviewed tax officials therefore did not frequently use the VIES-on-the-web application directly.

However, taxpayers in Spain were required to use the web application to validate the VAT numbers of their customers. Most respondents who answered this question estimated that, in most cases, using the Europa web application was easier for the taxpayer (as opposed to contacting the administration themselves in order to request that a VAT number be confirmed).

The administration noted that the number of question about VAT numbers had reduced, last year they received approximately 80 requests for validations, while previously they were receiving several hundred per year. It was suggested that this was due to an increased awareness of the Europa webpages among taxpayers, and thus increased levels of use.

### 3.2.2 VAT Refund

While the introduction of the electronic VAT refund procedure was designed to make the process of claiming a VAT refund easier for the taxpayer, respondents suggested that it was still too early to clearly determine the impact of the new procedure on the administrative burden for economic operators. However one respondent indicated that the shifting of the claim process to go through the Member State where the taxpayer is established had not necessarily increased the burden of documentation for the administration, as they often had some exchange of information anyway related to VAT refunds.

Concerns were raised however, about the security of certain national portals in other Member States, and whether the control of users who sign up and can submit claims was tight enough. However, this was suggested to be a consequence of teething problems of a fairly new system, which would be resolved over time.

### 3.2.3 Standard e-Forms

The SCAC e-Form<sup>108</sup> was used to exchange VAT-related information such as cars bought in other Member States, supplies made by Spanish traders to other Member States and vice versa. It was confirmed that this allowed information on irregularities to be exchanged, and thus to ultimately ensure that the right tax had been paid, as well as to reduce the amount of fraudulent claims for VAT (e.g. checking whether the trader is eligible to make a VAT-exempt transaction). When responding to requests for information, the central CLO office would deal with it if possible; however if an issue was suspected to require further investigation, the request would be forwarded to the

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<sup>108</sup> The e-Form for the exchange of VAT information has been developed by the Standing Committee on Administrative Cooperation (SCAC), a working group composed of the Member States and the Commission, in accordance with Regulation 904/2010 which lays down the rules and procedures for cooperation and exchange of information in the field of VAT.

regional offices who were best placed to deal with it, as auditors there had direct contact with the businesses.

It was generally recognised that e-Forms were an efficient way of sending and receiving requests for information between Member States, and that in conjunction with CCN mail, this exchange of information was much faster than the previous paper-based system. However a number of respondents indicated that this also depended on how well the cases “fitted” into the pre-defined fields on the e-Form, and that sometimes for complex cases, it would be just as quick to fill out a paper based form, at least when formulating the request. In addition, it was noted that requests from other Member States sometimes had ticked all the fields or had not given sufficient explanation as to why the request was being made, which made it more difficult to respond effectively to the request or prompted the need for further messages.

In order to further save time for the tax officials involved in administrative cooperation, e-Forms for both VAT and Direct taxes were managed within the INTER application. Respondents noted that this made it much easier to respond to requests for information, as the necessary information about the relevant taxpayer could be easily accessed via this system and then used to fill the e-Form fields automatically.<sup>109</sup> Documents were stored electronically, e-signed and sent by email, which was considered to be an important advantage over paper documents, and in particular made it easier to respect the time delays required when responding to requests for information.

When formulating requests for information, at the time of the case study visit, Spain asked auditors and tax inspectors to fill out a Word document, which the CLO office then transferred to the e-Form before sending. This was due to a temporary IT issue which made it difficult for the e-Form to be recognised by the internal INTER IT system. This was considered to be the easiest option at the time, as the CLO officials were specialised in the exchange of such requests, and could transfer the necessary information onto the e-Form quickly. In addition, it was reported that the regional tax officials were accustomed to the Word document format, which is also used for non-EU requests, ensuring that auditors could send out requests for information as easily as possible. However, with the introduction of a national training course, it was expected that there would soon be increased use of the e-Form by auditors themselves.

### **3.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Value Added Tax**

The evidence clearly suggests that the Fiscalis 2013 Programme had a high impact in providing the necessary support to electronic exchange of information to help monitor and control intra-EU transactions and ensure that the related VAT was collected correctly. It was clear that the Spanish tax authority were then able to use information exchanged via these tools to help combat tax fraud and evasion. Information on cross-border supplies from VIES was judged to be vital in order to detect irregularities and all types of VAT fraud. A strong factor that contributed towards this objective was the use of workflow management programmes such as INTER to help match the information from VIES to the information on Spanish taxpayers held in the national database.

It was generally considered that the exchange of information using e-Forms together with CCN mail reduced the administrative burden by saving time and effort when

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<sup>109</sup> Several temporary IT compatibility issues between versions of the e-Form and the INTER programme meant that there were challenges to the automatic filling of the e-Form at the time of interview.

sending and responding to requests for information. However, a strong contributing factor was again the INTER programme which enabled relevant taxpayer information to be entered into the e-Form more efficiently. Ensuring the widespread use of electronic documentation was also seen as an important contributing factor towards reducing the administrative burden on the tax officials.

VIIES-on-the-web was considered to have a noticeable effect on reducing the administrative burden for the administration and traders alike, as traders were directed to this application, rather than sending requests for validation of VAT numbers via the administration.

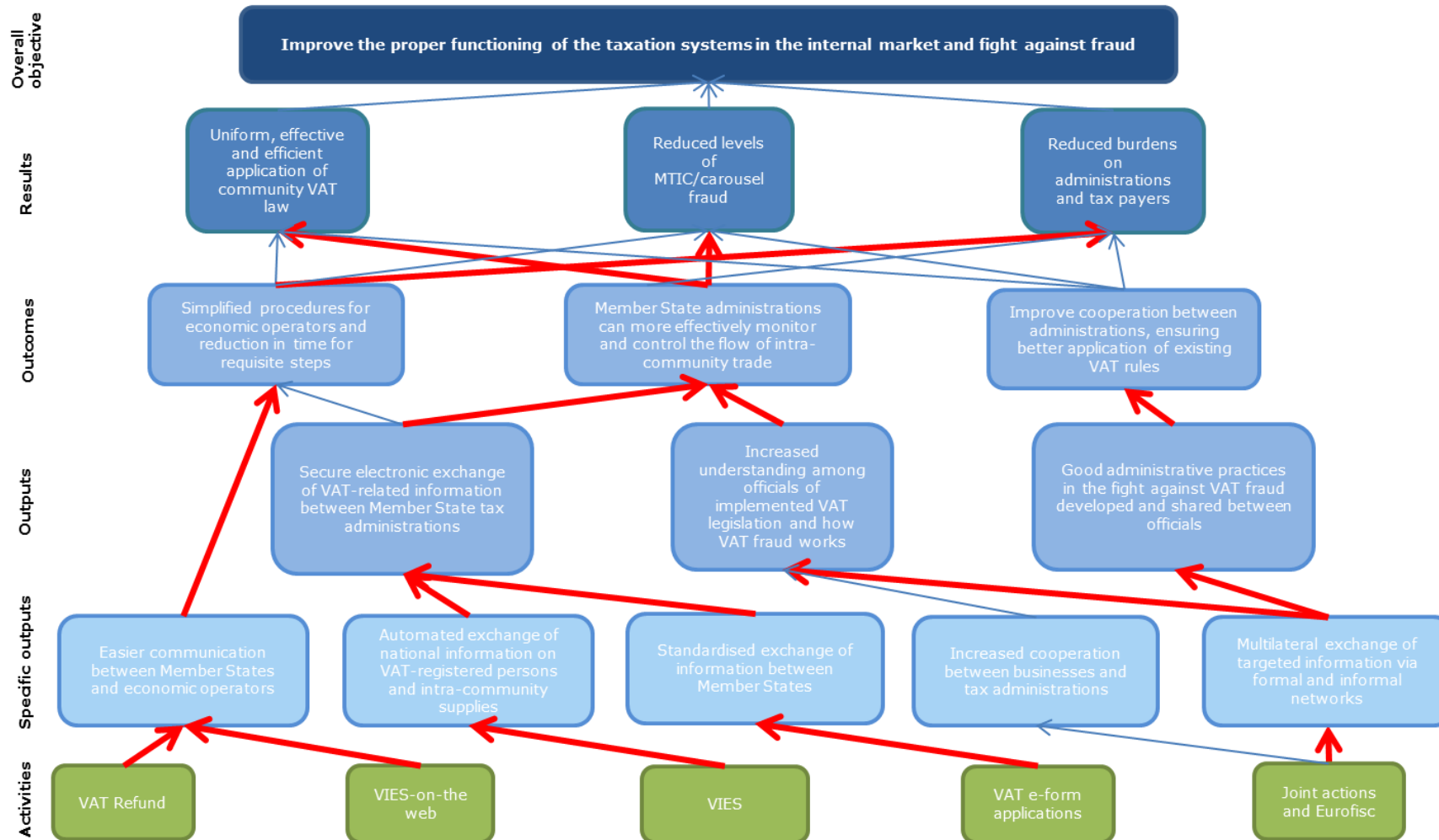
The economic crisis was identified as an external factor affecting the use of Fiscalis 2013, which meant that over the programme period the Spanish administration had seen an increase in the number of exchanges (both sending and receiving), with an increasing number of countries. Requests were also increasingly related to small businesses.

One of the objectives of the case study is to verify what impact the programme had on its intended objectives, as illustrated by the programme intervention logic in the inception report. The figure below shows which links in the intervention logic for the area of VAT were verified by the case study (verified links are illustrated by red arrows). However, the absence of links does not necessarily mean that the programme does not have an impact in this area, but that the interviews during the case study did not establish the explicit connection.

In sum, a majority of the expected links – from programme activity to result – were verified within the area of VAT in Spain. The case study findings have validated the Fiscalis 2013 intended theory of change (programme logic), i.e. the activities carried out with support from the programme have clearly contributed to the achievement of outcomes and expected results in application of VAT legislation in Spain.



The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study.





## 4. Excise duties

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Excise as set out in the Evaluation, namely:

1. The increased effectiveness of Member State administrations' in monitoring and improved control of movements under duty suspension
2. Simplified procedures and faster discharge of the movements

The last section presents the overall assessment of Fiscalis 2013's contribution to the expected results in Spain.

Additionally, emphasis is placed on the **central outputs**, i.e. fast, safe and secure exchange of real-time excise-related information between Member States, including the electronic transmission of the e-AD and the collection of operational data concerning the movements of goods and system usage. In relation to the IT systems this section focuses on the EMCS, SEED and the electronic exchange of e-ADs.

### 4.1 Member State administrations can more effectively monitor flows and improve the control of movements under duty suspension

The main Fiscalis funded activities identified as having an impact on the capacity of the Spanish administration to monitor and control cross-border movements of excise goods area were:

- Excise Movement and Control System (EMCS);
- SEED;
- Joint actions.

#### 4.1.1 Excise Movement and Control System (EMCS)

According to officials from Customs and Excise, the EMCS had a high overall impact on the capacity to control movements of excise goods. In this respect, the ability of EMCS to provide information in real time on movements and the goods contained therein was considered useful. One respondent indicated that while they could build another national system, without the existence of Fiscalis, it would be impossible to share the necessary information between Member States in order to properly assess movements of excise goods.

The ability to determine the validation rules for the movement before it begins was seen as an essential development for the administration, compared to the previous paper-based system. The mere fact that consignors had to submit the e-AD before the movement started and that each movement was assigned a unique ARC (Administrative Reference Code) to identify it meant that administration were aware of movements in advance and were *de facto* in a better position to monitor them as they progressed.

However, as information was available each day on thousands of movements, it was noted that a good data mining system was necessary in order to effectively control these movements and to help identify irregularities. In Spain, the programme *Zujar*<sup>110</sup> was used for this purpose, and was identified as an enabling factor to ensure that the information exchanged via EMCS was useful. The programme could produce various reports, e.g. all movements related to beer, for which duty has not been paid, etc., which ensured that the real time information on movements could actually be used to

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<sup>110</sup> This programme is also used for risk analysis in other tax areas such as VAT.

identify potential irregularities. Ensuring that the necessary guarantee documents were also covering the movement was also considered to be an important element in order to stop abuse of the system.<sup>111</sup>

The view that the EMCS provided more effective control of duty-suspended movements of excise goods is also evident from the fact that Spain had also introduced a national system of EMCS. Since January 2014 it has been compulsory to use this system for all internal movements of excise goods, as well as cover certain duty paid movements which are exempt from excise duty, or zero-rated goods, i.e. all movements where there was a risk that the tax due was not paid.

In terms of its impact on the reduction of fraudulent movements, it was indicated that EMCS has now made it impossible for fraud (related to a recorded movement) to be committed by one party only. The system meant that both parties had to be in collusion in order to commit fraud.<sup>112</sup> However, respondents indicated that it was not possible to put a value on the impact EMCS has on the reduction of fraud. It was considered certain, however, that fraud was more difficult and expensive to commit with EMCS in place.

#### **4.1.2 System for Exchange of Excise Data (SEED)**

SEED was seen as an important tool which permits a better control of the traders, meaning that all traders had to be checked in the SEED database in order for the movement to be authorised in EMCS. The advantage that this offered in terms of security was underlined, although as respondents had not been in the administration for longer than 10 years, they were unable to compare the current system of SEED to any alternative.

#### **4.1.3 Joint actions**

For the implementation of EMCS, it was noted that the main group designed to ensure that Member States were able to achieve the required functionality for each milestone was the Excise Computerisation Working Party (ECWP), which was not financed by Fiscalis. It was here that the functional specifications and related documentation were developed.

However, interviewees working in the excise team indicated that several Fiscalis Seminars and Training Events were very useful, particularly when becoming better acquainted with the system. This could include, for example, an explanation of all the vast array of documentation, setting out necessary technical specifications.

Joint actions were identified as really adding value by enabling the informal exchange of views outside of the official forums such as the ECWP, as many of the delegates present at seminars and other events were often also members of the official groups. This type of contact allowed for informal assistance on specific issues, e.g. a problem with the e-AD sent between Member States. Respondents also identified instances where best practices were shared. For example, the form developed in Spain, with

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<sup>111</sup> Each movement under EMCS must be covered by a guarantee for a certain amount of the value of the excise duty associated with the consignment goods. The Member State of destination ensures that the guarantee is secured. Upon completion of the movement the guarantee can be released.

<sup>112</sup> For example a consignor sends a truck with an ARC number, and the truck is not stopped at the border. The consignee then can arrange another truck to be sent, but both parties have to be in collusion so that the arrival of the original truck is not reported by the consignee.

which economic operators interface with EMCS was used by several Member States as a model to help develop forms for their own system.

## **4.2 Simplified procedures and faster discharge of the movement**

### **4.2.1 Excise Movement and Control System (EMCS)**

Respondents agreed that the use of the EMCS and particularly the exchange of the e-AD led to faster discharge of the movement, from the perspective of both the administration and the economic operators. This is due to the fact that messages were exchanged more quickly between traders and the tax authorities.

However, there were mixed views on whether the system reduced the administrative burden for economic operators. This was considered to depend in part on the size of the business. It was estimated to be easier for larger businesses to undergo the appropriate registration procedures, as they were more likely to have the necessary IT infrastructure and accounting procedures in place. Indeed it was mentioned that some welcomed the increased procedural certainty provided by EMCS. The registration and set up procedures were considered to be harder for smaller businesses who may have less developed IT infrastructure.

It was estimated that one advantage for the economic operators was that large amounts of paper documentation were no longer required, which was one potential time-saving factor. Although there was always a learning period necessary when operators first started using the system, it was assumed that the EMCS did save time for operators when completing the necessary procedures, particularly if they were working regularly with the same type of movement.

A reduction in administrative burden for the administration was also identified in terms of the time necessary to analyse the duty-suspended excise movements, and process the associated documentation. A similar learning curve was identified for users within the administration; as they become more used to the EMCS system and its interface, the time required to process movements is reduced.

## **4.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Excise Duties**

The introduction of EMCS was seen as an important progress in the area of excise in terms of reducing the administrative burden for the administration, allowing tighter controls on duty-suspended movements, and providing more information on movements, which in turn was considered important for better risk analysis. One enabling factor identified was the use of data mining software used by all tax agencies in Spain, in which there had been considerable investment; such software was considered necessary to quickly identify irregular movements given the huge amount of data available.

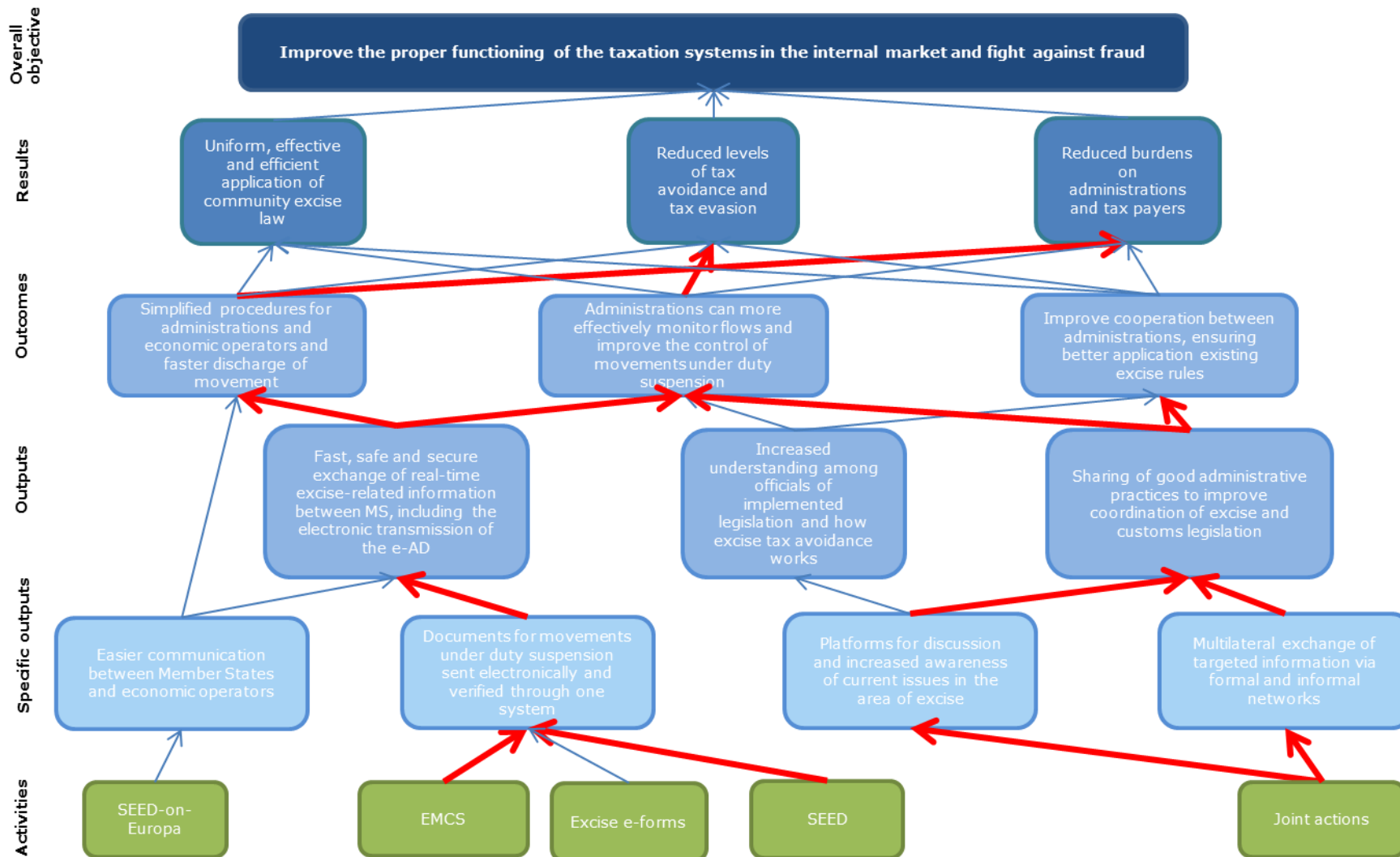
While more formal channels, such as the EMCS computerization working party and ITSM Commission helpdesk, were seen as the main tools to support the national implementation of EMCS, Fiscalis seminars and workshops were identified as valuable resources to develop a more informal network of officials in equivalent positions, that helped solve practical problems and share views. This could involve discussions of possible scenarios or special situations and their possible solutions, e.g. the use of emergency "fall back" documents for certain types of situations.

One enabling factor which contributed to the effective implementation and operation of EMCS was the close collaboration between the customs and excise administration (the business side) and the IT department. The value of having in-house capabilities responsible for the IT infrastructure (the development of certain software and programming was still outsourced) was mentioned by several interviewees, as this was considered to provide more flexibility and the ability to respond quickly and efficiently

to problems. A high level of close contact with economic operators was also considered important in order to ensure that the EMCS system was working smoothly.

The below figure illustrates which links in the intervention logic for the area of excise were verified by the case study, with the confirmed links again highlighted in red. Although some links are not verified, the diagram is useful to illustrate that the main expected areas of impact have been confirmed, as discussed in the above section.

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.



As illustrated by the blue arrows in the intervention logic a number of links could not be verified. In particular, the case study did not find that Fiscalis 2013 contributed to improving the application of EU law. However, the case study did not provide any evidence that these links are invalid either; rather, the case study interviews did not establish the necessary connection.

## 5. Direct Taxation

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Direct Taxation as set out in the Evaluation, namely:

1. Secure efficient, effective and extensive information exchange and administrative cooperation
2. Improve cooperation between administrations ensuring better application of existing rules.

The last section presents the overall assessment of Fiscalis 2013 contribution to expected results in Direct Taxation in Spain.

Additionally, emphasis is placed on the **central output**, i.e. the closed and secure IT network allowing fast, safe and secure exchange of information between Member State administrations. In relation to the IT systems, the section mainly concerns the use of e-Forms and to a lesser extent TIN-on-the-web.

### 5.1 Secure efficient, effective and extensive information exchange and administrative cooperation

The case study found that the main contribution of Fiscalis in this area was related to:

- e-Forms;
- CCN mail;
- TIN-on-the-web.

#### 5.1.1 Standard e-Forms

Evidence from the interviews conducted at both the CLO office and the tax agency headquarters suggests that the e-Form application for Direct Taxation made the exchange of information between competent authorities easier, both in terms of formulating requests and responding to them. This was particularly so for cases which "fitted" the pre-set fields, e.g. bank information requests requiring information such as bank account number etc. There was a consensus that such electronic forms resulted in reduced burden for tax officials when filing and processing the information.

When used in conjunction with CCN mail, as is required, the e-Form was considered to be a very fast, safe way of exchanging information between tax administrations. The benefits of being able to send the requests for information directly to the relevant competent authorities were also emphasised. There was a noted difference, for example, between requests sent between EU countries and requests sent to Latin America, which still had to happen via postal services.

The learning curve was considered quite steep when officials, such as auditors, first began to use the e-Form application, and was seen as an initial barrier to their use. However as soon a user became more accustomed to the application and began to deal with similar requests, then clear benefits began to emerge in terms of time saved.

However, respondents noted that the quality of some information on the e-Forms received depended on how the tax officials sending the request interpreted the free text field used to describe the case. It was suggested that more guidance on this could be

beneficial so that the relevance of the information is clear to those responding to the request.

### 5.1.2 CCN mail

Information related to the Savings Directive was also exchanged automatically between the competent authorities in XML format via CCN mail. Respondents working with this information confirmed that as a result of this exchange of information, both automatic and spontaneous, a lot of reassessments of taxpayers that previously had an undeclared stream of income were able to take place. Importantly, the perception that the Spanish tax authority was exchanging such information with other countries was stated to have a positive effect on compliance levels, with an increasing number of taxpayers becoming aware that they should include their overseas income on their declarations.

However, the quality of information exchanged was one factor identified which affected how useful it was to the tax authority. The common XML schema used to exchange information related to the Savings Directive in a common format had in-built validations which required the information to be given in a certain format and thus help ensure its accuracy. For example, date of births would only be accepted if they match the accepted format. The Spanish tax administration used the TIN number to cross-check the information exchanged automatically against various national records in order to identify the taxpayer, while other countries that didn't use a TIN would have to do this using a date of birth or similar piece of information.

Evidence suggests that Spain generally has quite high levels of information collected about the taxpayer, in part due to high obligatory use of automated declarations and e-services. Being able to have continued close cooperation with the in-house IT department was also mentioned as important in order for the CLO team to be able to react to any new problems. This could include, for example, giving advice on how to read information received from other countries or introducing a fix to any minor problems related to the use of the XML schema.

### 5.1.3 Tax Identification Numbers (TIN)

TIN-on-the-web was judged to be useful mainly for financial entities in the context of the Savings Directive, to be able to ensure that the identity number given by an EU customer from another Member State opening an account in that country has the correct syntax (i.e. the correct structure corresponding to an identity number in that country). As such it was not possible for the administration to make any judgement on the impact of TIN-on-the-web, but one respondent was sure it was increasing the quality of the TINs collected for tax purposes in other EU Member States.

## 5.2 Improve cooperation between administrations ensuring better application of existing rules

The main identified contribution of the Fiscalis 2013 Programme in this area was related to:

- Joint actions;
- Multilateral Controls (MLCs).

### 5.2.1 Joint actions

Joint actions such as seminars related to technical aspects of the e-Forms were considered to be useful, particularly during the development phase of the e-Form application. The more general Seminars, for example on the structure and functioning of another administration were considered relevant to understand the practices of other tax administrations.



Evidence from the interviews suggests that such events had more of an impact in these areas of common development of technical tools rather than ensuring better application of existing rules. However, relevant events in this area were identified such as a seminar on auditing of luxury yachts in which 11 or 12 Member States participated. A useful good practice guide was produced afterwards and made available to all Member States; several respondents noted that it was useful to have such an output available to all Member States after an event.

Moreover, it was agreed that these types of seminars were a valuable way of meeting counterparts in other administrations. One official gave the example of how informal communication with counterparts in other Member States can often help to complement the more formal channels of communication, for example when the description of a case related to a request for information requires more explanation. Such informal communication was considered to be much easier due to the previous personal contact made at seminars. Indeed, it was noted that one advantage of Fiscalis events was the informal and friendly atmosphere among colleagues, and that there were even social media groups forming between certain groups of tax officials.

### **5.2.2 Multilateral Controls in the area of Direct Taxation (MLCs)**

All MLCs are coordinated from the Tax Audit Department, through the National Office for International Taxation (ONFI). According to the Coordinator, the administration was able to participate in more MLCs since the creation of this national office, and some officials in the office were able to be directly involved in MLCs as auditors or project leaders.

In the area of Direct Taxation, MLCs were identified as being useful particularly in the area of transfer pricing. MLCs were judged to make a good contribution towards cooperation with other administrations and by their nature ensure the better application of existing rules. The positive impact of the tool was judged to go beyond the effect of the control on the taxpayer; it was perceived that auditors who participated in MLCs become more open-minded and internationally oriented, and were more likely to cooperate further in the future.

However, it was noted that Spain participated in a relatively limited number of MLCs. As such, although MLCs so far were judged to be very positive experiences, the overall impact on national audit practices was still considered limited simply due to the relatively small number of MLCs in which Spain participated. Other factors to be considered included the time necessary to conduct an MLC (as they tend to take longer than normal audits) and a relatively limited knowledge of MLCs among officials of the regional offices. The level of English language spoken by regional auditors was also mentioned as a factor that hindered participation.

The National Office for International Taxation was also responsible for marketing the MLCs to other units and auditors, to ensure that there was increasing awareness of the tool, particularly among directors and heads of unit. This was linked to the evaluation of the tool internally and ongoing efforts to ensure that there was evidence available on the value of participation in MLCs.

## **5.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Direct Taxation**

The exchange of Direct Tax information using the e-Form application and CCN mail was considered to be the best method for the exchange of such information. It was considered that there was no other way to exchange information in such a secure manner directly between competent authorities.

The quality of information exchanged depended on a variety of factors. These included the relationship between taxpayers and the tax authorities, and the amount of information collected that could be cross-checked with national records. Tax officials working with administrative cooperation and information exchange indicated that Spain

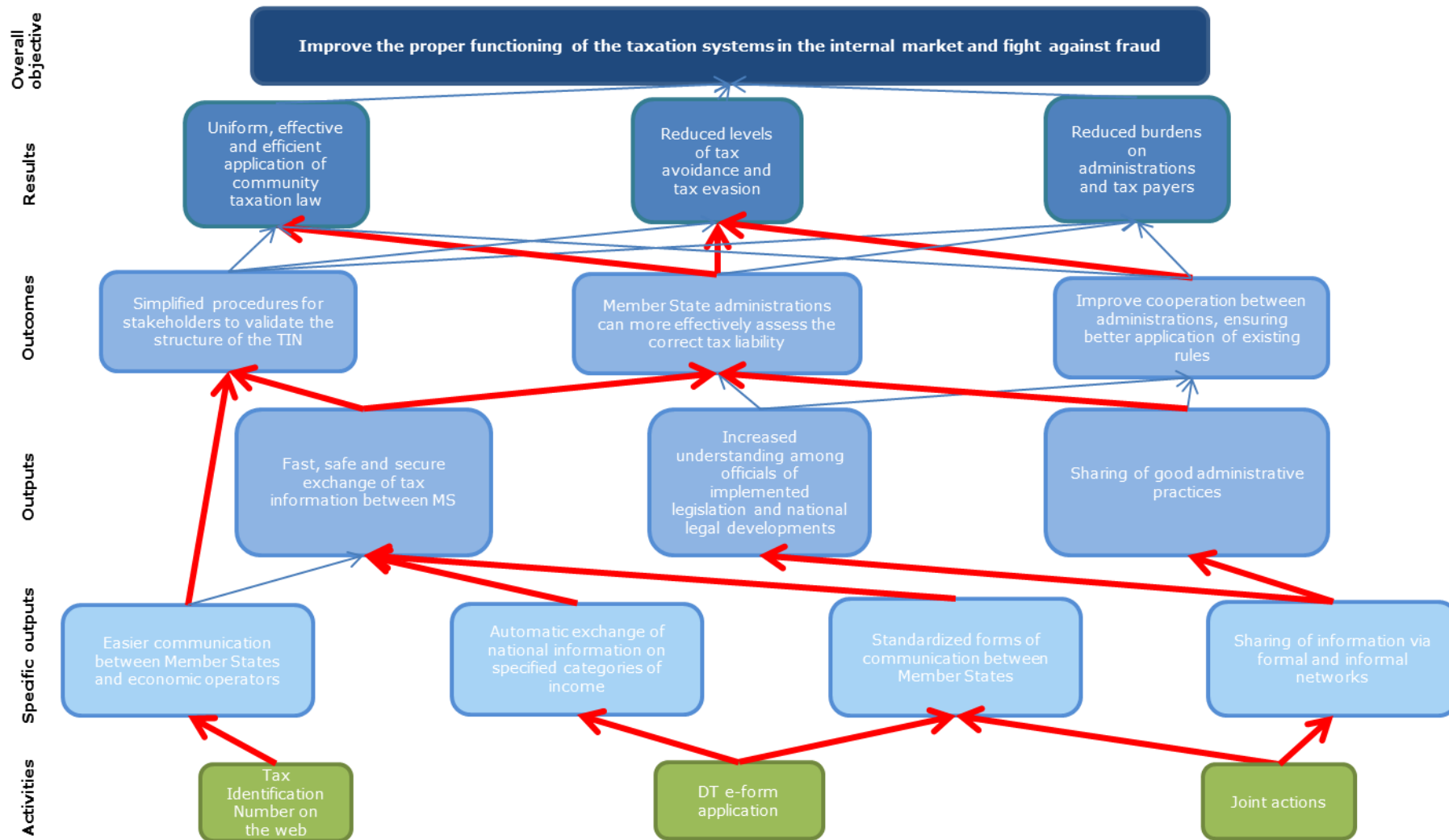


was able to obtain good information on banks as a result of strong relations between them and the tax administration.

The CLO office noted that Spain generally received more requests than they sent, and that there had been an increasing number of requests using these systems. An external factor affecting the use of the information exchange systems included the fact that an increasing number of people had an international bank account, meaning that there was greater potential for undeclared revenue streams. As in the area of VAT, the impact of the European economic crisis meant that requests were increasingly exchanged regarding small businesses, in order for the administration to maximize all possible potential sources of revenue.

As before, the below figure illustrates which links related to the expected impact of the programme in the area of Direct Taxation were verified, with the confirmed links again highlighted in red. As with the previous tax areas, the majority of the links concerned with the electronic exchange of information and the IT systems are confirmed.

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.



The red arrows illustrate the links verified by the case study. Most of the expected links have been verified and the intended results have been achieved.

Although some links are not verified, particularly related to some of the joint actions, it should be mentioned that many respondents noted the intangible, long term value of Fiscalis events. Whilst informal contact does not replace the formal structures in place for administrative cooperation, interviewees noted the value of participants becoming more internationally minded and being able to solve problems in a quick informal manner.

## LIST OF INTERVIEWS

**Table 1 List of interviews**

<b>Tax Area</b>	<b>Responsibilities</b>
VAT, Direct	National Fiscalis Coordinator
VAT, Direct	Tax recovery – mutual assistance
VAT, Direct	Tax audit department
VAT	Tax management department
VAT	Tax management department
VAT, Direct	MLC Coordination, Int'l tax office
VAT, Direct	Tax auditor, Large taxpayers office
Excise	CLO - Excise
Excise	EMCS user
VAT, Direct, Excise	Regional collection department
Excise	Excise manager, regional office
VAT	Tax auditor, regional office
VAT	CLO, Tax audit department
VAT	Exchange of information, VAT
Direct	CLO Tax audit department
Direct	Exchange of information
Direct	Exchange of information, Savings Dir.
Direct	Automatic exchange
VAT	Exchange of information
IT	IT Manager, Customs and Excise
IT	IT Manager, Tax control

## Case study report - Finland

### 1. Introduction

This case study attempts to provide picture of what effects Fiscalis 2013 has delivered in Finland throughout the duration of the programme. The study pays particular attention to the use of the Fiscalis IT systems. Along with the four other case studies, the present one will feed into the Final Evaluation as a data source.

The purpose of the case study is to provide holistic evidence of the context in which Fiscalis 2013 contributed to realising programme objectives in Finland. As the contribution of Fiscalis 2013 is related to contextual factors findings are not directly generalizable to other Member States, but it does enable cross analysis in the taxation areas. The goal here is to use the case studies as sources of detailed assessments of how Fiscalis 2013 contributed to reaching its objectives in a Member State context.

The case study's findings have been organised in sections examining the outcomes of Fiscalis 2013 by tax area rather than based on IT tools or activities. The purpose of this has been to allow the contribution story to examine the underlying mechanisms which deliver the effects within the tax areas. This allowed for the investigation of how Fiscalis 2013 contributed to delivering these outcomes in the context of Finland, whereas an activity based approach would not allow for a complete narrative on the contribution to effect observed in Member States.

### 2. Methodology

This case study has been designed as part of a Contribution Analysis which allows the study to go into depth with the practical usefulness of the programme - in particular IT systems - to the tax administration in Finland. The purpose is to assess to what extent the programme has produced the expected outcomes in a Member States context.

The case study took place over a period of three days, and was based on semi-structured interviews with 15 tax officials, including the National Fiscalis Coordinator, auditors, IT personnel, and representatives from the Central Liaison Office (CLO) in both the tax administration and customs (which had responsibility for excise duties). Each interview lasted approximately one hour. The interview questions were based on the hypotheses set out in the Final Evaluation, but also included questions on the interviewees' professional background within the administration as well as their experience with Fiscalis 2013. The following sections present the information gathered during those interviews and thereby offers an insight into how Fiscalis 2013 has contributed to the daily activities in the national tax authorities.

These interviews have allowed a level of detail which has given the study team the opportunity to recognize links not only between activities and outputs, but also between outputs, outcomes and results. As a result the case study provides a more complete picture of Fiscalis 2013's contribution to the national tax systems than would be provided by a cross-sectional analysis. Furthermore, the case study has helped reveal contextual and internal factors which have affected how Fiscalis 2013 has delivered results in Finland. In other words, the case study has allowed for the contextualisation of Fiscalis 2013. This is crucial when assessing the importance of alternative explanations, contextual and internal drivers and inhibitors.

In the Final Evaluation, the case studies fed into the study as a data source alongside the data gathered through the surveys as well as the secondary data.

### 3. Value Added Tax

The following section looks at the impact of Fiscalis 2013 in the area of VAT, as one of the key **outputs** of the programme is to secure efficient, effective and extensive exchange of VAT-related information between participating countries. As such, emphasis is placed on VIES, VIES-on-the-web, the electronic VAT refund procedure and VAT-related e-Forms.

As a result of this information exchange, the main **outcomes** pursued (as identified in the intervention logic of the inception report) relate to:

1. The increased effectiveness of Member State administrations in monitoring and controlling the flow of intra-EU trade;
2. The reduction of the administrative burden for tax administrations and economic operators.

#### 3.1 The increased effectiveness of Member State administrations in monitoring and controlling the flow of intra-EU trade

The administration requires information on intra-EU supplies in order to be able to monitor and control the transactions that are taking place, and thus ensure that they are associated with the correct amount of VAT. The main tools which were identified as having an impact in this area were:

- VIES
- Joint actions

#### 3.2 VIES' contribution to the fight against fraud

Information from VIES was seen as vital to help better control VAT related to intra-EU transactions, as it was considered the only way to stop VAT-related fraud as quickly as possible. Information from VIES is used primarily in two ways: 1) information from VIES on the supplies made to Finnish companies is cross-checked automatically each month with the domestic declarations, using computer software; any irregularities over a certain threshold in terms of EUR value are flagged up and investigated further; 2) information from VIES is used to help with day-to-day checking of any suspicious cases to see who is concerned, and to match key information on supplies made.

Factors identified to ensure information from VIES was effective in monitoring and controlling intra-EU transactions include daily updates between the VIES database and the Finnish national database (containing information on VAT declarations made by the businesses established in Finland). This means that the most up to date information is always available to auditors. In addition, Finland systematically request level two information on transactions,<sup>113</sup> meaning that they are able to always access the more detailed information on supplies made, which helps with further investigations into potentially fraudulent cases.

It was further considered that VIES had led to a reduction in fraud, and respondents generally were able to identify specific cases where information from VIES had been instrumental in detecting fraudulent transactions. In general, the administration try to promote the use of the VIES information as much as possible: as well as the VIES software itself, the information is further used in a least three other national IT

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<sup>113</sup> Level two VIES information gives the value of trader to trader supplies, rather than the broader level one information which only contains information on aggregate value of supplies made.

programmes for the purposes of risk analysis and other operational objectives. In addition, a national project group was set up with the objective of tackling cross-border VAT fraud in the shortest possible time, and VIES was indicated as the main tool for this purpose.

### 3.2.1 Joint actions in the area of VAT

Eurofisc (meetings and information exchange on an IT platform)<sup>114</sup> was identified as one of the most valuable tools in monitoring potentially risky transactions and thus valuable in the fight against VAT fraud. In the “VAT observatory” sub-group, one of the four working groups of Eurofisc, information is constantly being exchanged between Member States on new trends and patterns of fraud, particularly related to missing trader and carousel fraud.<sup>115</sup> Interviewees suggested that the value of Eurofisc as opposed to seminars is that it obliges its members to be continuously active and exchange information over a period of time, whereas seminars do not require further contact between participants.

Other joint actions, such as seminars were seen as valuable in helping officials to understand the implementation of EU law in other Member States. While this does not directly aid the administration to control cross-border transactions, such contact between officials was considered particularly useful when concerning Finland’s main trading partners - Estonia, Germany and Sweden. Understanding the legal functioning and the procedures of other administrations allows officials to formulate requests for information more effectively.

### 3.3 Reducing the administrative burden for tax administrations and economic operators

The Fiscalis tools identified as having a positive impact on the administrative burden for either economic operators or the tax administration were:

- Standard e-Forms
- VIES-on-the-web
- VAT-refund

#### 3.3.1 Standard e-Forms

There were mixed views on how much impact the VAT e-Form had on the effort or the time required to exchange information. Interviewees considered that the standardised e-Form had made the task of sending and responding to requests for information easier, as it was harder to potentially forget to include some information. However, one respondent estimated that the impact of the e-Form in terms of the speed of exchange of information was limited (i.e. information could be exchanged quickly between administrations without forms as well), but that it was indeed useful in ensuring that information requests were more precise, due to the pre-defined fields.

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<sup>114</sup> Eurofisc is a mechanism designed to help Member States combat VAT Fraud by enabling the quick and targeted sharing of information. In practice it involves working fields in which officials participate and the exchange of information using the CCN mailbox and an online platform. The network was established by Council Regulation 904/2010 on administrative cooperation and combating fraud in the field of value added tax.

<sup>115</sup> Carousel fraud is a type of missing-trader fraud involving 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.

One important aspect in Finland is that, unlike many other Member States, responsibility for both VAT and Direct Tax e-Forms is decentralized, and competent authorities with the legal basis to exchange information are based at a regional level<sup>116</sup> and not just at the Central Liaison Office (CLO). Interviewees explained that this arrangement reduces the workload on the CLO staff, who previously would simply forward requests or responses to and from the regional officials in charge. Having regional officials empowered to exchange information was also considered beneficial, as they were in close contact with auditors working on the ground and thus could deal with queries more efficiently.

### **3.3.2 VIES-on-the-web**

The Finnish administration itself did not regularly use the VIES-on-the-web application, as they considered that they could access all the necessary information from the national VIES interface. However, the Finnish administration did conduct some pilot projects to assess how useful the information from VIES-on-the-web could be, but found that it did not hold much added value over and above what was available through their national VIES interface.

However, taxpayers are directed to the VIES-on-the-web application in order to validate the VAT numbers of their customers in other EU Member States, which interviewees considered saved some resources in the tax administration (who would otherwise have to validate VAT numbers on behalf of the traders). Tax officials also considered that it was easier for traders to validate VAT numbers as well, as they could now do this directly on the Europa web application, rather than going via the administration.

### **3.3.3 VAT Refund**

Only one interviewee had sufficient involvement in the project to be able to assess the VAT refund procedure. The portal for the electronic VAT refund procedure was assessed to be reasonably user-friendly for businesses, and they had heard very few complaints after implementation.

The introduction of the electronic refund procedure was estimated to have increased the administrative burden on the administration only for a short period of time, but at the time of interview it was working smoothly. It was generally considered too early to assess the impact on economic operators in terms of the administrative burden.

## **3.4 Overall assessment of the contribution of Fiscalis 2013 in the field of Value Added Tax**

Fiscalis was considered to have a strong impact on increasing the effectiveness of the administration when monitoring and controlling intra-EU trade in the area of VAT. The possibility of regularly comparing national VAT declarations with information from VIES was seen as a vital and effective way to flag up potential irregularities which may require further investigation. The administration was thus able to use this information to help identify and combat fraud on a daily basis.

6.

The benefits of e-Forms in terms of reduction of administrative burden were clear, particularly in relation to ensuring that the requests for information were precise and easy to formulate. However, it should be noted that there were few interviewees who were able to comment on the impact of using VIES-on-the-web or who were involved

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<sup>116</sup> There are five regions for Tax Auditing purposes, (one region for Individual Taxation and Large Taxpayers' Office), each with between two and four tax officials who are competent to exchange information in this way.

with the VAT refund electronic procedure. Thus, it wasn't possible to verify the impact of these tools on administrative burden.

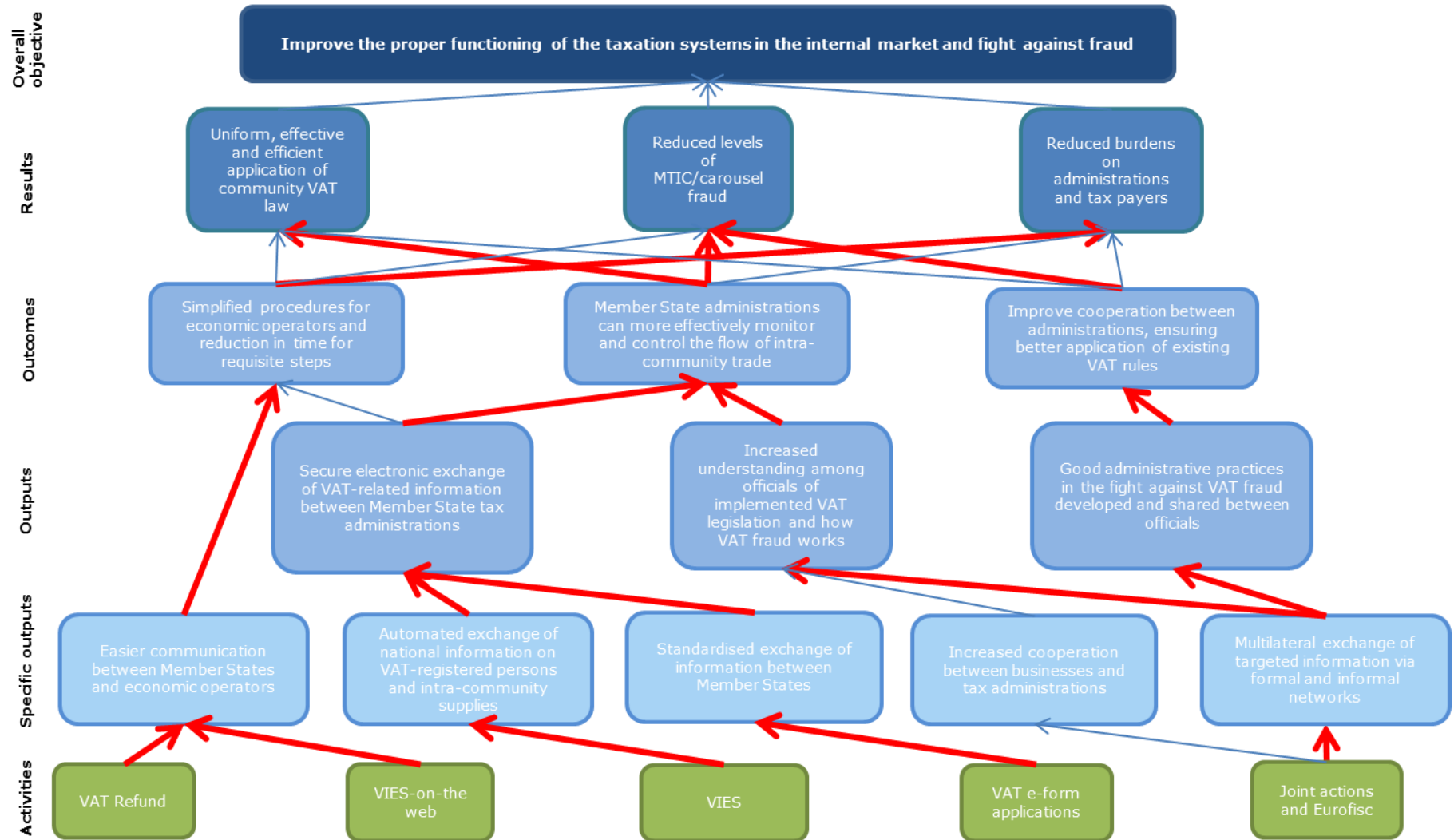
Factors which contributed to the use of VIES information included regular requests for more detailed information from Finnish tax officials, and ensuring that the national database was updated daily with information from VIES. Factors which helped ensure that e-Forms were effective included decentralizing the competencies for exchanging the information and giving more responsibilities to the regional staff.

A number of drivers enhancing Fiscalis 2013 (i.e. objectives or needs which were fulfilled partly through use of the programme) were identified; they included national project groups, for example, tackling cross-border VAT fraud in as short a time as possible. These project groups brought together personnel from units such as anti-fraud, recovery, etc., and were thus able to attract more resources to the fight against VAT fraud. In addition, the Finnish administration currently gives high priority to introducing e-services to customers in as many areas as possible, and is currently preparing for the migration to a new IT system which will replace the majority of tax applications.

One of the objectives of the case study is to verify what impact the programme has on its intended objectives, as illustrated by the programme intervention logic in the inception report. The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study. The red arrows indicate a confirmed link. The absence of links verified positively does not necessarily mean that the programme does not have an impact on these trajectories, but that the case study could not establish or verify the connection.



The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study.



## 4. Excise Duties

Within the area of Excise Duties, a key **output** of the Fiscalis 2013 programme is to secure fast, safe and secure exchange of real-time excise-related information between Member States, including the electronic transmission of the electronic Administrative Document (e-AD) and the collection of operational data concerning the movements of goods. Therefore this section focuses on the use of the EMCS and SEED. SEED-on-Europa is also mentioned, although this is primarily for use by economic operators.

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Excise as identified in the evaluation:

1. The increased effectiveness of Member State administrations' in monitoring and improved control of movements under duty suspension
2. Simplified procedures and faster discharge of the movements

The last section presents the overall assessment of Fiscalis 2013's contribution to the expected results in Finland.

### 4.1 Member State administrations can more effectively monitor flows and improve the control of movements under duty suspension

Responsibility for monitoring consignments of excise goods in Finland lies within Customs and Excise, separated from the tax administration. The main impact identified in monitoring and improved control of movements was related to:

- EMCS;
- SEED;
- Joint actions.

#### 4.1.1 Excise Movement and Control System (EMCS)

The availability of real time information on consignments of excise goods was said to have improved control of movements, particularly for high value consignments. For small value movements, it was estimated that new types of abuse of the system were continually being developed. The amount of irregularities detected depended heavily on how the information was used by tax officials: interviewees were keen to underline the importance of EMCS users having a good knowledge of what the system can do and how to process the information available.

Respondents working in the excise field considered that more fraudulent movements had been discovered since the electronic system was put in place, and that the advance notification of the movement to the administration did make the movement easier to control. In conjunction with the guarantee of excise duty on the consignment that is also secured electronically,<sup>117</sup> this ultimately ensures the correct collection of revenues on the imported goods. An increase in imports of alcohol under duty-suspension was reported, particularly from Germany and Estonia, and EMCS was considered an important tool which made it possible to control a high volume of such movements.

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<sup>117</sup> Each movement must be covered by a guarantee for a certain amount of the value of the excise duty associated with the consignment goods. In Finland guarantees are secured electronically with the administration. Upon completion of the movement the guarantee can be released.

#### 4.1.2 System for Exchange of Excise Data (SEED)

As regards SEED, the possibility to check that the consignor and consignee were registered in the SEED database and had valid excise numbers was said to have reduced the number of fraudulent movements. It was noted, however, that the relatively small number of economic operators in Finland did make it easier to ensure that the register of Finland's own operators was kept up to date and therefore made it easier to monitor and control the excise movements.

#### 4.1.3 Joint actions in the area of Excise Duties

Joint actions were regarded as valuable when it came to improving understanding of how the EMCS has been implemented in other Member States, as the national situation could sometimes be different in reality than it looked on paper. Learning about the procedures and realities of other national EMCS systems<sup>118</sup> was identified as a useful outcome of workshops and working visits: for example, understanding that due to the system configurations in some Member States, it wouldn't be possible for them to deal with certain requests sent through EMCS. Workshops and seminars were also mentioned as a useful opportunity to learn about countries with similar legislation challenges. For example, when dealing with the taxation of alcohol, one interviewee mentioned that it was useful to learn from countries with similar high taxation levels about how best to structure and collect excise duties on alcohol.

The informal networks formed by joint actions as well as the more formal channels such as the EMCS computerization working party were identified as an important resource. Interviewees were of the opinion that it is always easier to pick up the phone and talk to someone who you have previously met face-to-face, rather than try to initiate contact with an unknown person. In addition, such personal contact was mentioned as important in relation to understanding more technical problems, as interviewees considered that information in documents available did not always give the whole picture.

Workshops were also identified as useful in terms of understanding some patterns of abuse of the system that were happening in other Member States, such as duplicate e-ADs or particular issues with tobacco smuggling. It was considered that understanding such patterns in other countries can ultimately help Finnish tax officials to be more aware of potential fraudulent movements.

It was felt that working visits were useful in the area of Excise, and the Finnish administration made a point of having a maximum of ten delegates present – with smaller groups so that learning could take place between all participants.

### 4.2 Simplified procedures and faster discharge of the movement

The main tools which were identified as having an impact in this area were:

- EMCS
- SEED-on-Europa

#### 4.2.1 Excise Movement and Control System (EMCS)

The exchange of the e-AD was considered to have a very positive impact on the lead-time for discharging the excise movement, as businesses could do the necessary procedures from their own premises and no longer needed paper documents to be

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<sup>118</sup> A national EMCS system refers to the implementation and set up of the required EMCS functionality in the Member State. This includes the IT system and interface used to connect to the network and to give economic operators the required functionality.

approved. While larger businesses were used to electronic procedures, it was mentioned that there was a steep initial learning curve for small businesses.

In terms of ensuring that excise procedures were as simple as possible, it was indicated that Finland had low levels of administrative burden in this area, which was also reflected in their high ranking in relevant OECD indicators. It was suggested that the high levels of trust in exporting businesses also contributed to this. An exporting business can become authorized by the administration to do cross-border trade; higher levels of authorization meant that the businesses have to go through fewer steps for each transaction, and thus could minimize the associated administrative burden. In addition, it was noted that EMCS and the customs export system were linked, which made it easier for companies to reclaim the relevant VAT, for example once their goods have been exported to Russia.

#### **4.2.2 SEED-on-Europa**

The SEED-on-Europa application was estimated to have a positive impact on ensuring that checking the validity of an excise number is as simple as possible for businesses, as companies can use the Europa system to do this rather than call or email the Finnish administration. This also reportedly resulted in less workload for the administration.

While the verification of excise numbers with SEED is built into the EMCS system, SEED-on-Europa was mentioned as useful for companies who were not using the duty-suspended electronic system but still wanted to check an excise number, for example when starting business negotiations.

There were instances where the Europa application had not been fully updated with information from the national SEED database, but in general it was considered to be working well.

#### **4.3 Overall assessment of the contribution of Fiscalis 2013 in field of Excise Duties**

Overall, evidence collected from the interviews suggests that EMCS has had a positive impact on the Finnish administration's ability to control and monitor excise movements. Having information in advance of the movement, and using it in conjunction with guarantees secured by the administration, helped to reduce the amount of excise duties abuse. Interviewees also considered that the integrated use of SEED in the electronic procedure was important in helping to control the movements, and to ensure that they were happening between verified economic operators, thus limiting uncertainty and room for abuse.

Amongst the factors influencing the use, and ultimately the usefulness, of Fiscalis 2013 in the Excise area, the interviewees mentioned the tax officials' knowledge of the functionalities of EMCS, which was considered important to be able to identify irregular movements faster and more easily. Due to the relatively low number of operators in Finland who are conducting cross-border movements it was considered easier to keep the SEED register up to date and subsequently easier to monitor the activity of the traders.

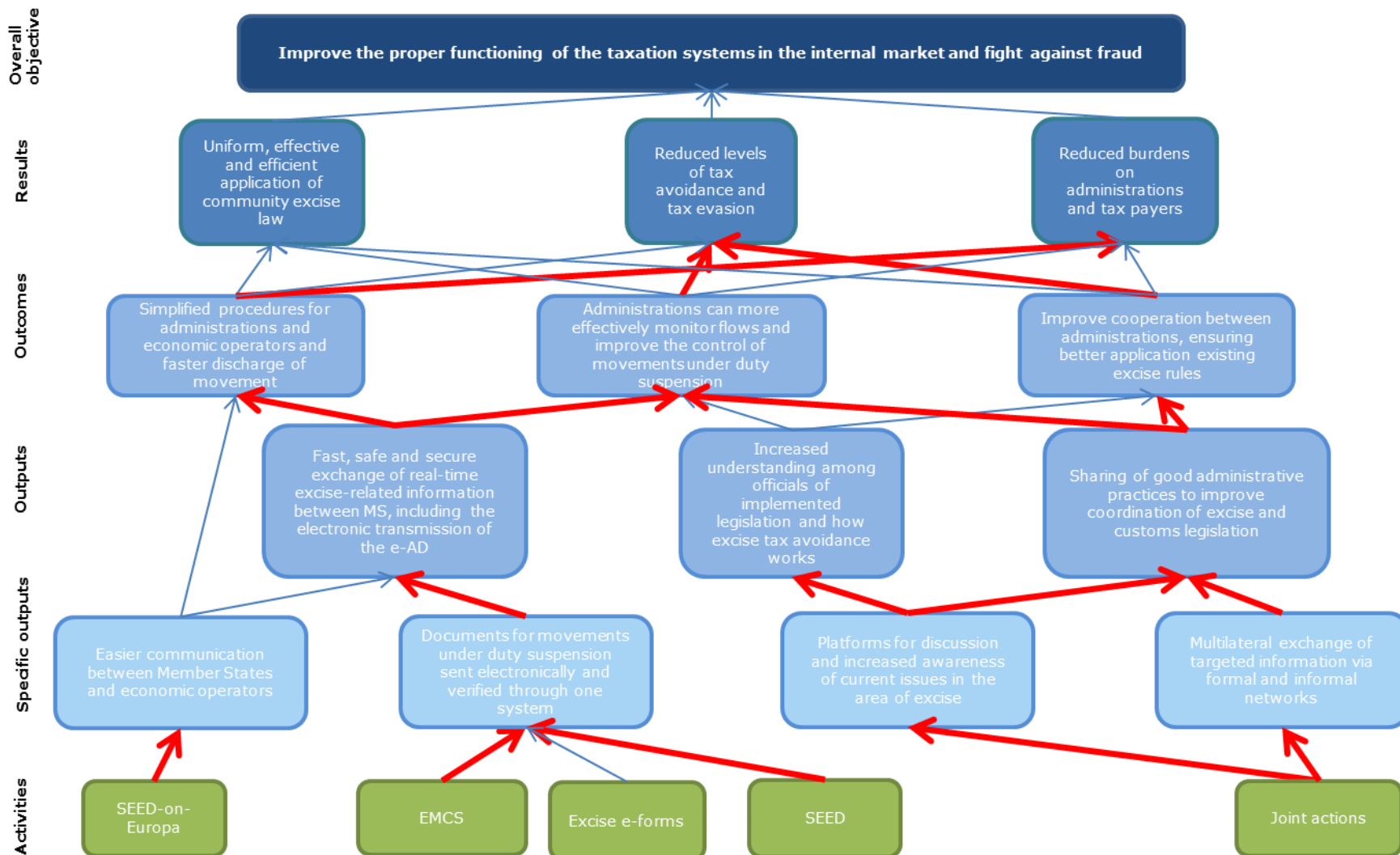
It was assessed that the electronic exchange of the e-AD did help to speed up the discharge of the excise movement, although there was typically a steep learning curve for the new users of EMCS, particularly for small operators. It was considered that use of SEED-on-Europa did help simplify procedures to validate the excise number of a trading partner as well, and relieve the administrative burden on both the economic operators and the administration, particularly in the period before the actual movements take place.

The need to control an increasing amount of imported alcohol from Germany and Estonia was identified as a driver for the programme. In other words, EMCS met this

specific need to tightly control this type of movement, and clearly had an impact in this area.

The below figure illustrates which links in the intervention logic for the area of Excise Duties have been verified by the case study, with the confirmed links again highlighted in red. Although some links are not verified, the diagram is useful to illustrate that the main expected contribution links have indeed been confirmed.

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.



## 5. Direct Taxation

Similar to the previous tax areas, the key **output** of Fiscalis 2013 is the closed and secure IT network allowing fast, safe and secure exchange of information between Member States administrations. This mainly concerns the exchange of e-Forms between secure mailboxes across the CCN network, and the obligatory automatic exchange of information related to the Savings Directive.

This section is structured around the main **outcomes** of Fiscalis 2013 within the area of Direct Taxation as set out in the evaluation, namely:

1. Secure efficient, effective and extensive information exchange and administrative cooperation.
2. Improve cooperation between administrations ensuring better application of existing rules.

The last section presents the overall assessment of Fiscalis 2013 contribution to expected results in Direct Taxation in Finland.

### 5.1 Secure efficient, effective and extensive information exchange and administrative cooperation

The main contribution of Fiscalis 2013 to this area is through the development of:

- e-Forms

#### 5.1.1 Standard e-Forms

It was considered that the Direct tax e-Form application (e-FDT) had a strong positive impact on the efficiency of exchange of information between competent authorities. Having pre-defined, ready-made questions was considered useful, as it not only enabled users to simply tick a box, which was much quicker than the previous paper-based system, but also provided guidance in terms of what information should be included in the request. However, it was also noted that in the majority of cases the open text fields had to be used because the pre-defined questions were not flexible enough or not suited to the subject.

As previously mentioned, Finland has decentralised the responsibility for sending and receiving requests for information, so in each administrative region there are officials who are competent to assume responsibility for the information exchange.<sup>119</sup> This was done to increase the efficiency by relieving the workload on the central office, and by ensuring closer contact with the auditors "on the ground". In practice, incoming requests for information are forwarded from the central office to the regional contact persons, who compile the necessary information, and are then able to send it back directly to the requesting Member State.

The benefits of having a contact person present at the regional level include a more efficient internal communication and the ability to provide guidance to auditors on how to fill out the e-Form application. Indeed, the regional contact person for the largest region in Finland pointed out that the number of outgoing requests for information (VAT and Direct Tax) had doubled over the period of a year after that region introduced the regional level competences at the beginning of 2013. It was pointed out that the increase mainly concerned VAT requests and was partly due to enhanced marketing

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<sup>119</sup> This was done on the basis of the Council Directive 2011/16/EU on administrative cooperation in the field of taxation. The decentralized structure was already present since 2004 in the area of VAT.

efforts. However, the decentralisation of the competent authority was seen as a positive step towards minimising the administrative burden and ensuring that “double work” was not done at CLO and regional level.

## **5.2 Improve cooperation between administrations ensuring better application of existing rules**

### **5.2.1 Multilateral Controls in the area of Direct Taxation (MLCs)**

In Finland, MLCs have been an important tool in the area of Direct Taxation (and specifically for transfer pricing issues). There is a high level of cooperation with Estonia in Direct Taxation, due to the high number of Estonian workers coming to work in the Finnish construction sector. Interviewees indicated that MLCs have had a very positive impact in this area, enabling cooperation between countries to ensure the right tax is paid in the right place.

According to interviewees, the majority of MLCs dealing with Finnish cases led to increased revenue collection, and it was found to be much more effective than normal audits in terms of recovery of debts, particularly related to the audit of companies employing Estonian construction workers. Over the programme period, it was considered that case selection had generally improved greatly, meaning that the administration was increasingly identifying cases which were relevant and worth pursuing using an MLC. Cooperation with relevant countries became easier as more controls were conducted together, although the importance of keeping the objective of real audit work in mind, and not just coordinating internationally, was highlighted.

The Finnish administration noted that they had a reasonably flat hierarchy, allowing for easy communication between the auditors and those responsible for writing the proposals. The MLC coordination unit also provided high levels of guidance to the auditors on writing the necessary proposals and reports. Being able to produce an MLC proposal fairly efficiently may explain in part why Finland initiates a relatively high number of MLCs. In addition, the MLC coordinator noted the importance of marketing the MLCs to the audit units, and reassuring them regarding any perceptions of bureaucracy surrounding the tool.

## **5.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Direct Taxation**

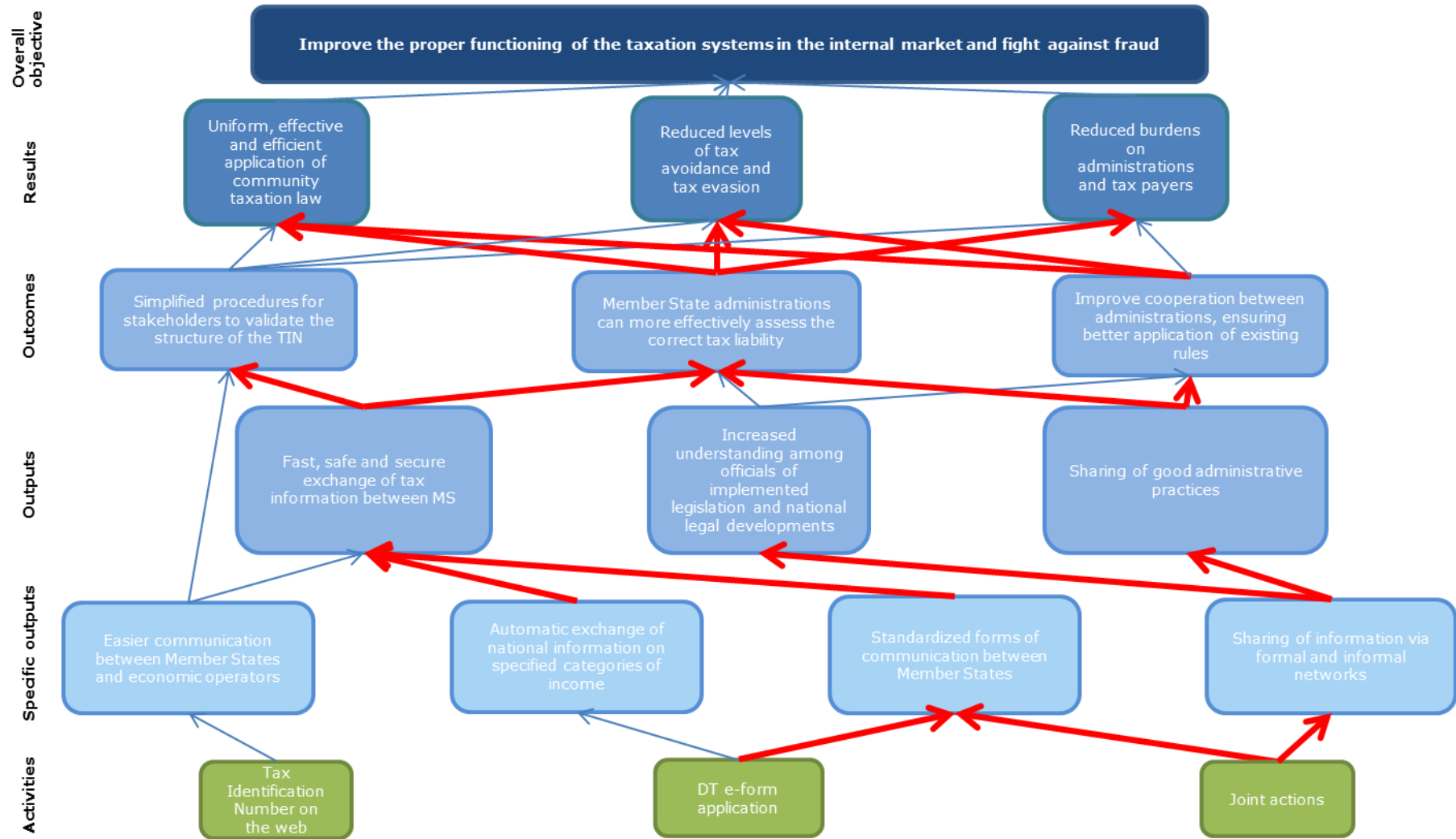
Evidence suggests that the contribution of Fiscalis 2013 towards the objective of information exchange and administrative cooperation between Member States was good. Interviewees reported that it was generally easier and quicker to exchange information using the Direct Tax e-Form application than the previous paper-based system. However, one factor which helped information to be exchanged efficiently was the decentralization of the competent contact persons, which enabled requests to be sent directly to other Member States.

The impact of Fiscalis in terms of encouraging cooperation between administrations, thereby ensuring the better application of rules, was primarily achieved through MLCs, which were well-used and considered to be a useful tool in Finland. The flexible and flat hierarchy of the Finnish administration meant that officials could send and respond to proposals quickly, and thereby make good use of the tool.

As in previous tax areas, the below figure illustrates which links in the intervention logic for the area of Direct Tax have been verified by the case study, with the confirmed links again highlighted in red. Although some links are not verified, the diagram is useful to illustrate that the main expected contribution links have indeed been confirmed.



The figure below illustrates which links in the intervention logic for the area of direct taxation have been verified by the case study.



## LIST OF INTERVIEWS

**Table 2 List of interviews**

<b>Tax Area</b>	<b>Responsibilities</b>
VAT, Direct	National Fiscalis Coordinator
VAT, Direct	MLC-Coordinator
VAT	Eurofisc contact person, Anti-fraud unit
VAT	Eurofisc, VAT Fraud
VAT, Direct, Excise	Responsible for IT Collaboration
VAT, Direct	Former Head of CLO for VAT and Direct taxation
VAT, Direct	E-form user
VAT, Direct	Responsible for practical CLO work for Direct taxation
VAT	VIES main user, member of FPG88
VAT	Involved in Mini One Stop Shop
VAT, Recovery	Former contact for recovery
Excise	Fiscalis Coordinator (Excise)
Excise	Fiscalis Coordinator (Excise)
Excise	Former CLO for Excise, Fiscalis Committee member
Excise	EMCS user

## Case study report - Hungary

### 1. Introduction

This case study attempts to provide picture of what effects Fiscalis 2013 has delivered in Hungary throughout the duration of the programme. The study pays particular attention to the use of the Fiscalis IT systems. Along with the four other case studies, the present one will feed into the final evaluation as a data source.

As a data source, the purpose of the case study is to provide holistic evidence of the context in which Fiscalis 2013 contributed to realising programme objectives in Hungary. As the contribution of Fiscalis 2013 is related to contextual factors findings are not directly generalizable to other Member States, but it does enable cross analysis in the taxation areas. The goal here is to use the case studies as sources of detailed assessments of how Fiscalis 2013 contributed to reaching its objectives in a Member State context.

The case study's findings have been organised in sections examining the outcomes of Fiscalis 2013 by tax area rather than based on IT tools or activities. The purpose of this has been to allow the contribution story to examine the underlying mechanisms which deliver the effects within the tax areas. This allowed for the investigation of how Fiscalis 2013 contributed to delivering these outcomes in the context of Hungary, whereas an activity based approach would not allow for a complete narrative on the contribution to effect observed in Member States.

### 2. Methodology

This case study has been designed as part of a Contribution Analysis which allows the study to go into depth with the practical usefulness of the programme - in particular IT systems - to the tax administration in Hungary. The purpose is to assess to what extent the programme has produced the expected outcomes in a Member States context.

The case study bases itself on interviews with 14 tax officials conducted in Hungary in February 2014. The interviews were conducted as semi-structured interviews of approximately one hour duration. The interview questions were based on the hypotheses set out in the final evaluation, but also included questions on the interviewees' professional background within the administration as well as their experience with Fiscalis 2013. The following sections present the information gathered during those interviews and thereby offers an insight into how Fiscalis 2013 has contributed to the daily activities in the national tax authorities.

These interviews have allowed a level of detail which has given the study team the opportunity to recognize links not only between activities and outputs, but also between outputs, outcomes and results. As a result the case study provides a more complete picture of Fiscalis 2013's contribution to the national tax systems than would be provided by a cross-sectional analysis. Furthermore, the case study has helped reveal contextual and internal factors which have affected how Fiscalis 2013 has delivered results in Hungary. In other words, the case study has allowed for the contextualisation of Fiscalis 2013. This is crucial when assessing the importance of alternative explanations, contextual and internal drivers and inhibitors.

In the final evaluation, the case studies will feed into the study as a data source alongside the data gathered through the surveys as well as the secondary data.

### 3. Value Added Tax

This section is structured around **the main outcome and main result** of Fiscalis 2013 within the area of VAT as set out in the evaluation. The first two sections examine the main outcome and main result within the area of VAT:

1. The increased effectiveness of Member State administrations' in monitoring and controlling the flow of intra-EU trade (outcome)
2. The reduction of the administrative burden for tax administrations and economic operators (result)

The last section presents the overall assessment of Fiscalis 2013 contribution to the expected results of Fiscalis 2013 in Hungary.

Additionally, emphasis is placed on the **central output**, i.e. the automated exchange of VAT-related information between Member States' tax administrations. In relation to the IT systems the case study focuses specifically on the following instruments: VIES, VIES-on-the-web, VAT refund and e-Forms.

#### 3.1 The increased effectiveness of Member State administration in monitoring and controlling the flow of intra-EU trade

##### 3.1.1 VIES' contribution to the fight against fraud

VIES is perceived to be an extremely important tool in the battle against fraud and it has made it easier to detect VAT-related irregularities. It is integrated into the pre-existing Hungarian IT system, which allows the administration to use a number of functions, and to draw on certain data, that would not be available if VIES was implemented on a standalone basis. For example, VIES is automatically linked to the risk analysis system of the Hungarian administration, which has an 'early warning list' for potential missing traders (i.e. those that do not submit VAT returns). It thus helps to quickly match the data which enables potential risks to be identified quickly and effectively.

Hungary records both intra-EU supplies and acquisitions, whereas most Member States only record intra-EU supplies. The fact that Hungary has access to acquisitions data makes it possible for the administration to more robustly identify cases of fraud: the acquisitions data can be compared precisely with the supplies data recorded by other Member States, and a so-called 'VIES gap' can be identified. Where supplies declarations in other Member States exceed the acquisitions declaration in Hungary, the Hungarian trader has manifestly paid too little VAT and so may be placed on the list of potential fraudulent traders. The problem of missing traders is significant in Hungary (most likely due to the EU's highest standard VAT rate of 27 per cent) and hence VIES can generate a significant benefit for the Hungarian tax administration by offering it greater control of cross-border transactions.

Within the Hungarian administration, VIES is used by risk analysts and auditors. Due to the standard structure of the VIES database, few difficulties have been experienced with matching data for cross-border transactions: the only issues have arisen where incorrect VAT numbers have been used. In such cases, the trader was contacted while the irregularity was recorded by the administration as a potential risk.

Despite the clear positive impact of VIES on the ability to detect fraud, the Hungarian administration noted that only the amount of additional tax assessments can be measured by the tax administration, and not the overall reduction in the level of fraud itself. Tax assessment based on VIES control data is only one of the measures to fight against VAT fraud, albeit growing in importance/volume year by year.

### **3.1.2 Multilateral controls in the area of VAT (MLCs)**

The vast majority of MLCs that Hungarian officials have participated in have been in the field of VAT (approximately seven cases per annum). Hungary has tended to work with the neighbouring Member States and the majority of cases have concerned fraud. MLCs are seen by the MLC coordinator to be more effective and efficient than simply sending Standing Committee on Administrative Co-operation (SCAC) requests to other Member States, as the possibility of having face-to-face discussions under an MLC offers more flexibility and room for debate. Indeed, a recent MLC was resolved within a single meeting, whereas the process would have taken much longer if approached otherwise (i.e. outside an MLC).

There have been some challenges in promoting the use of MLCs within the organisation, which ultimately resulted in the limited uptake. The potential explanations given concerned the time constraints of the Hungarian staff and, for some staff, the language barrier (as many MLCs take place in English).

There also seems to be some synergies between the roles of the MLC coordinator and Eurofisc Liaison officials. For one of the Working Fields of Eurofisc, these two roles are assumed by the same individual, which can be an asset as it would be perfectly possible to propose an MLC on the basis of early warning information provided by Eurofisc.

### **3.1.3 Joint actions**

Joint actions in the field of VAT were reported to have had a substantial impact on the sharing of information between Member States which, in turn, has helped to increase the effectiveness of Hungarian administration in monitoring and controlling the flow of intra-EU trade. For example, one interviewee participated in a project group on the use of VIES data, which issued recommendation for all Member States to implement acquisitions data into their national VIES components to help monitor better the intra-EU transactions, as described above.

Working visits, workshops and seminars were also considered to bring significant benefits in terms of improving understanding of the legislation in force in other Member States (including rules/ restrictions on sharing data), sharing good practices and developing contacts and networks in other administrations. The latter was considered to have a significant impact on the flow of information between Member States; personal contacts helped to identify the relevant individuals within the administrations of other Member States, increased the willingness to share information and increased the speed with which information is actually shared.

## **3.2 Reducing the administrative burden for tax administrations and economic operators**

### **3.2.1 VIES' impact on the administrative burden for tax authorities**

As noted above, VIES has been a significant asset for the Hungarian administration in its fight against VAT fraud. However, at present, the Hungarian administration's procedure is to always confirm information from VIES with the relevant Member State. As there were more than 7,000 requests to the Hungarian tax administration in 2012 (the highest of any Member State), the ability to detect fraud more easily came with a cost of an increased workload within the Central Liaison Office.

Overall, according to the Hungarian administration VIES as such has not increased the administrative burden, all else being equal. Rather, the increase in its workload has

come with the greater ability to detect fraud and hence an increase in the number of identified fraud cases.

### **3.2.2 VIES-on-the-web**

VIES-on-the-web has been promoted on the homepage of the Hungarian administration's website and elaborated a section of 'frequently asked questions' to provide guidance for using the system. Economic operators seem to have confidence in the system as there has been a positive impact on the workload of the Hungarian administration's staff as VAT numbers are verified by the operators themselves rather than the administration's staff; it was estimated that VIES-on-the-web has led to a reduction in the resources employed by the VAT number validation team from 2 FTEs to 0.5 FTEs (i.e. a reduction of 75 per cent).

The remaining requests to be dealt with are typically received from large organisations requesting historical data, as VIES on-the-web only allows access to current data. This suggests that VIES-on-the-web has had relatively little impact on economic operators that request historical data, albeit that these economic operators are relatively few in number.

### **3.2.3 VAT Refund**

The Hungarian administration developed the VAT-refund system in-house and it is considered to have benefited the administration and economic operators. It did not have any real impact on the administration's costs because the same processes are used for submissions and refunds. More specifically, the majority of the system used to operate VAT Refund was in place prior to its introduction and so incremental costs were limited.

### **3.2.4 Exchanging information using standard forms**

Standard forms are considered to have benefited the Hungarian administration. Standardisation reduces the room for misunderstandings and thereby increases the likelihood of receiving relevant and complete information, delivered in a timely manner and easier to be followed-up.

In Hungary, the e-Forms are built into the existing internal IT system of the Central Liaison Office which forwards received messages to the concerned tax offices. The interviewees stated that this organisation has several advantages for the CLO: direct connection with the file register and documentation system (in order to manage the file registration automatically); automated query processing for several purposes (e.g. risk analysis, measurement of workload); and a simple authentication process.

## **3.3 Overall assessment of Fiscalis 2013 contribution in the field of VAT**

The case study found clear evidence that Fiscalis 2013 has supported the Hungarian administration in monitoring and controlling intra-EU trade flows, whilst reducing the administrative burden for economic operators. The impact on the administrative burden of the administration is more complex: the greater ability to detect fraud increased the workload of the Central Liaison Office whereas VIES-on-the-web reduced the administrative burden. Overall however, there was a positive impact.

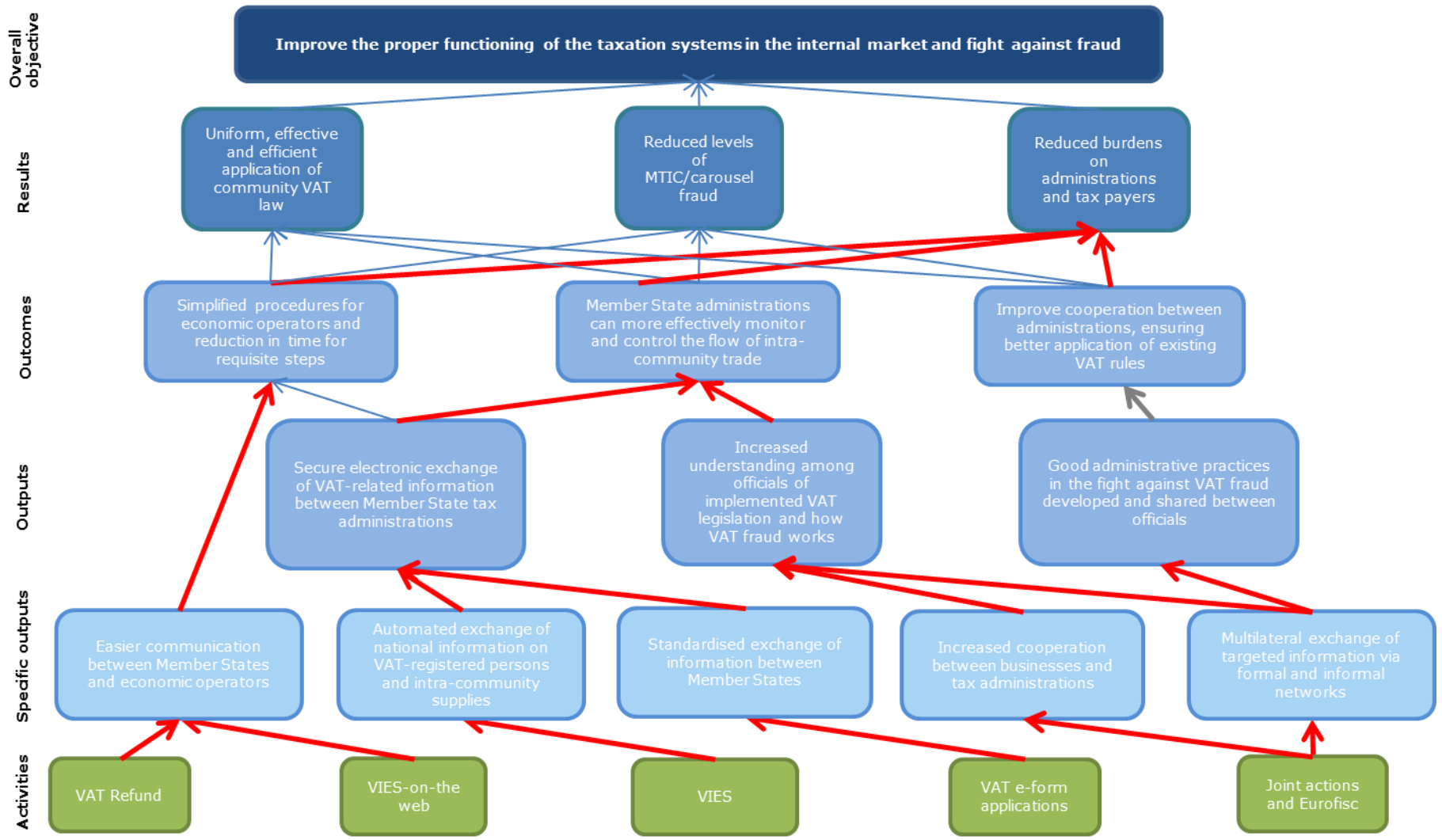
VIES was considered to have been a significant contributor to the increased effectiveness of monitoring trade and detecting fraud, particularly when combined with Hungary's national record of intra-EU acquisitions. The development of personal

contacts and networks through the Joint Activities was also considered to be an important aspect of reaping full benefits from the programme.

In sum, a majority of the expected links (marked in red in the below intervention logic) – from programme activity to result – have been verified within the area of VAT in Hungary. The unverified links do not by default mean that the programme did not produce the desired effects; rather, that they could have not been verified directly through the case study.

The grey arrow corresponds to the link between good administrative practices in the fight against VAT fraud and improved cooperation between administrations and better application of rules which has been only partially verified. Good administrative practices in the fight against VAT fraud were indeed developed and shared between tax officials from the participating countries and had helped improve the overall cooperation between administrations. However, the case study did not find that this led to ensuring better application of the existing VAT rules.

The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study.





## 4. Excise duties

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Excise as set out in the Evaluation. The first two sections examine the two main outcomes within the area of Excise namely:

1. The increased effectiveness of Member State administrations in monitoring and improved control of movements under duty suspension
2. Simplified procedures and faster discharge of the movements

The last section presents the overall assessment of Fiscalis 2013's contribution to the expected results in Hungary.

Additionally, emphasis is placed on the **central outputs**, i.e. fast, safe and secure exchange of real-time excise-related information between Member States, including the electronic transmission of the e-AD and the collection of operational data concerning the movements of goods and system usage. In relation to the IT systems, this section focuses on the EMCS, SEED and the electronic exchange of e-ADs.

### 4.1 Member State administrations can more effectively monitor flows and improve the control of movements under duty suspension

#### 4.1.1 Excise Movement and Control System (EMCS)

The availability of real-time information in EMCS is considered to be the key benefit of this IT system with respect to controlling movements. While not all Member States have a system to analyse this information, Hungary has an integrated automatic risk analysis system which assesses the real-time information flowing from EMCS using pre-defined criteria. This integrated risk analysis module is considered to be the most important tool for detecting irregularities and thereby contributing to the effective monitoring and control of movements.

It was noted that while EMCS has enabled a tighter control of movements, and a reduction in paperwork, the Hungarian administration has found that criminals were adapting their strategies in an effort to avoid detection. It was however accepted that this behaviour would always exist and the EMCS at least allowed administrations to react more quickly. Overall, therefore, it is likely that EMCS has contributed to a reduction in tax evasion/ fraud, even though no precise figures can be quoted.

Fiscalis 2013 has also enabled the exchange of best practices between Member States with respect to the development of EMCS. For example, Hungary has recently implemented a 'duty paid' module in EMCS and communicated this to other Member States by organising working visits to Budapest. It is too early to measure uptake of the idea with other administrations but the willingness to share such practices with colleagues from other countries is there.

#### 4.1.2 System for Exchange of Excise Data (SEED)

It was acknowledged that SEED helped to make it more difficult to start fraudulent movements but, according to the interviews, SEED would have little benefit if it existed without the EMCS. Within EMCS, it is only possible to commence a movement if a valid excise number of the consignee has been keyed in and confirmed. In practice, this

means that it is no longer possible to enter a fake excise number, which has a real impact on reducing levels of fraud, at least unilaterally. However, if EMCS did not require a valid number to be entered, SEED itself would have little impact.

While SEED is generally effective when combined with EMCS, there may still be cases of alleged fraud; for example, Hungary has a pending investigation in a case in which the consignee disappeared after receiving a large volume of beer from a company based in another Member State and paying the due guarantees (which was low relative to the value of the shipment). While the case is not concluded yet, it already led to better practices within the administrations through introduction of a 'guarantee alert' in the EMCS. This alert prompts a tax official to pay close attention to the case.

SEED-on-Europa is reported to have had little impact in terms of reducing the number of requests from traders received by the Hungarian administration because insufficient data are available on the internet. For example, traders typically wish to know the address of their economic partners (to be), but such information is only available directly from the tax administration. However, this system has helped to reduce the number of requests received from other Member States as the (nature of the) information required by other administrations is typically available through SEED-on-Europa.

#### **4.1.3 Joint actions**

Employees of the Hungarian administration have participated in numerous joint actions in the field of Excise duties, including working visits on EMCS and risk analysis. An EMCS e-learning module was developed by Hungary as part of a project group work, and this module has helped users of EMCS to learn about its functionalities, procedures, etc., leading consequently to a more effective and more efficient use of EMCS by those who completed the e-learning module, and indirectly to a closer administrative co-operation between Member States.

Working visits are considered to have brought significant benefits to the Hungarian administration in terms of sharing best practices and increasing the administration's knowledge of, for example, the legislation that is in place in other Member States. Reports of working visits, seminars, workshops, etc. are shared with the hierarchy in the Hungarian administration, who ultimately take a decision whether to act on any given suggestion/recommendation/idea. Given this separation of roles, it is difficult for excise officials to specifically identify the impact of their reports on Hungarian policy and practise.

In addition, some joint actions tackled the problem of tax-avoidance strategies used by tax criminals, which led to valuable discussions between Member States. According to the interviewees, this has contributed to more effective control of movements and reduced evasion/ fraud in the area of Excise. Work is also in progress to ensure a more uniform application of excise law and rules.

Interviewees were keen to emphasise the importance of Fiscalis joint actions for developing personal contacts/ networks and thereby helping to increase the amount and quality of information shared between Member States. In addition, personal contacts were reported to have increased the willingness of other administrations to provide assistance and increase the speed with which requests are responded to. For example, the officials valued the possibility of sending a private email to a colleague in another

Member State in advance of sending a message via CCN mail, which helped to 'prepare the ground' and provide necessary context, ultimately leading to faster reaction and better quality of the information received.

#### **4.1.4 Multilateral Controls in the area of Excise (MLCs)**

Hungary has participated in one MLC in the field of excise, which was considered to have brought the expected results in the form of identification of many missing traders and, additionally, unpaid VAT. Apart from raising awareness of the fraud risks amongst Western European countries, in which excise fraud is less common, this MLC led each participating country to consider strategies for tackling such frauds. This example illustrates the potential of MLCs and puts it in a real-life context. It is not however necessarily representative of the general effectiveness of the MLCs.

#### **4.2 Simplified procedures and faster discharge of the movement**

The electronic discharge of e-ADs and the guarantee document have helped to reduce the lead-time of discharging an excise movement to hours, as opposed to several days in the paper-based procedure. This is thought to have been particularly beneficial for economic operators in the fast-moving consumer goods sector.

The Excise Liaison Office (ELO) only sees cases where discharge does not occur within five days and there are now fewer than six per week. This suggests that the system has helped to reduce the lead-time of discharging excise movements and freed-up some resources, allowing staff in the ELO to reallocate time to other tasks.

Following an initial learning phase, electronic discharge is now considered to work seamlessly with EMCS, and the largest economic operators have been able to develop IT solutions that communicate automatically with EMCS. There have also been fewer problems reported by economic operators in recent years with respect to lost consignments. It thus can be concluded that the electronic discharge of e-Ads and the guarantee document have benefited both the economic operators and the Hungarian administration alike.

#### **4.3 Overall assessment of Fiscalis 2013 contribution in the field of Excise Duties**

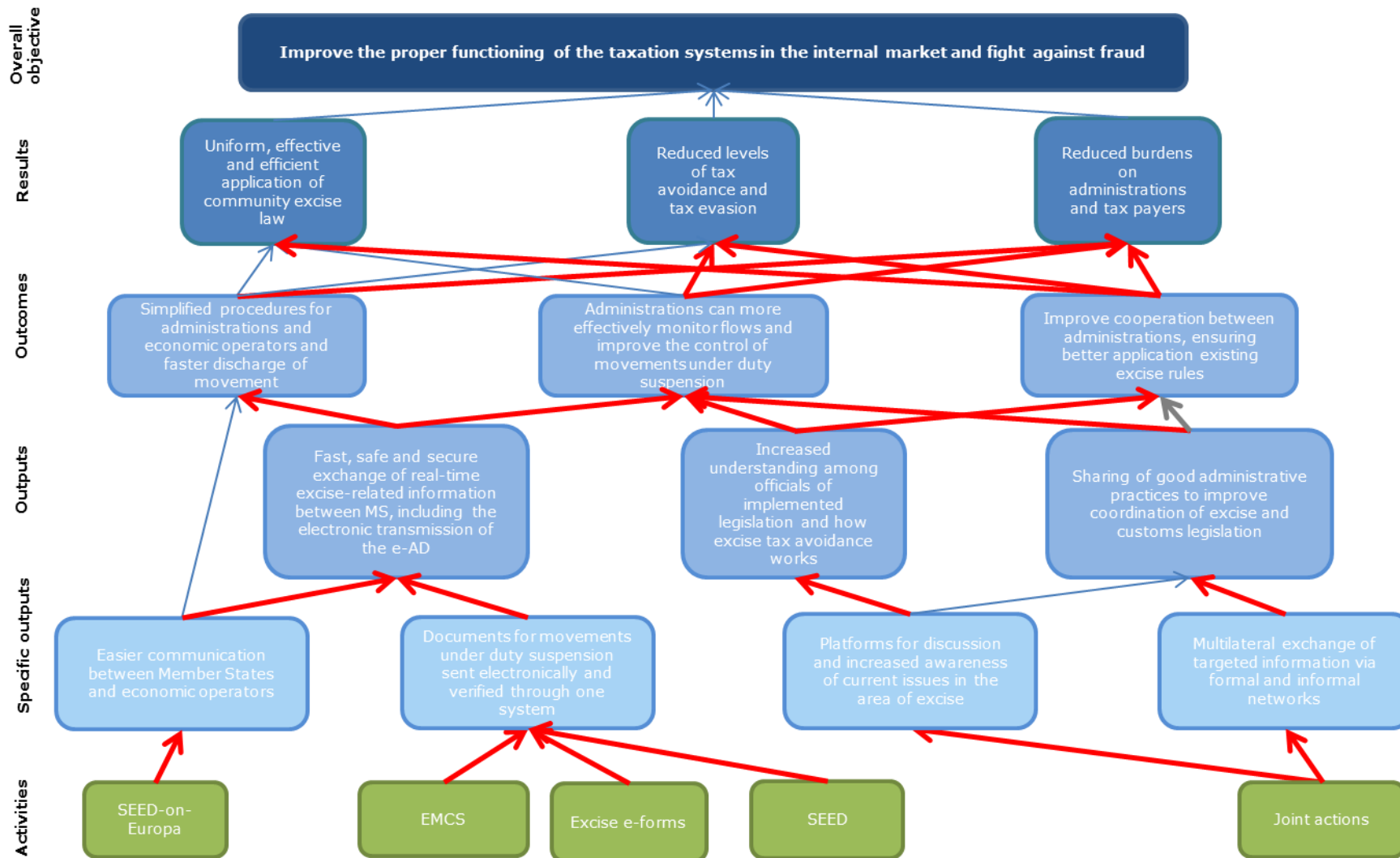
The interviews conducted have shown that Fiscalis 2013 helped Hungary to monitor flows more effectively and improve the control of movements under duty suspension. The Hungarian administration considered that SEED and the real-time information available in EMCS have helped to reduce fraud, though this impact has been supported by the integrated automatic risk analysis module that has been developed by the Hungarian administration. The joint actions have led to the development of personal contacts/ networks which have helped to improve information sharing between Member States while a successful MLC, in which Hungary participated, was concluded in this field. The electronic exchange of e-ADs and the guarantee document have had a significant impact on the lead-time for discharge of excise movement, as well as reducing the administrative burden of the ELO.

An important factor weighing on the use and effectiveness of Fiscalis identified by the Hungarian interviewees, concerned the attitude of excise officials within national administrations to collaborative working.

In sum, a majority of the expected links (represented on the below intervention logic by red arrows) – from programme activity to result – have been verified within the area of Excise Duties in Hungary. As before, the unverified links do not by default mean that the programme did not produced the desired effects; rather, that they could have not been verified directly through the case study.

The grey arrow corresponds to the link between the sharing of good administrative practices and improved cooperation between administrations and better application of rules, which has been only partially verified. The case study found that the good administrative practices had indeed been shared but the case study did not establish an impact on the application of excise rules in Hungary.

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.



## 5. Direct Taxation

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of direct taxation as set out in the evaluation. The first two sections examine the two main outcomes within the area of Direct Taxation, namely:

1. Secure efficient, effective and extensive information exchange and administrative cooperation
2. Improve cooperation between administrations ensuring better application of existing rules.

The last section presents the overall assessment of Fiscalis 2013 contribution to expected results in Direct Taxation in Hungary.

Additionally, emphasis is placed on the **central output**, i.e. the closed and secure IT network allows fast, safe and secure exchange of information between Member State administrations. In relation to the IT systems the section mainly concerns the use of e-Forms and to a lower degree TIN-on-the-web.

### 5.1 Secure efficient, effective and extensive information exchange and administrative cooperation

The automatic exchange of information on interest paid on savings was reported by interviewees to have been a significant help to tax officials in calculating tax liabilities effectively. The information on savings in other countries, and thus a better picture of potentially taxable savings, would not be available to the Hungarian administration in the absence of such a system. However, the Hungarian administration found it difficult to identify which data received should be treated as taxable, and sending requests for additional information to other Member States was considered a frequent occurrence.

#### 5.1.1 Standard e-Forms

The electronic exchange of information through standard e-Forms has helped the Hungarian to calculate tax liabilities correctly, effectively and more efficiently (i.e. ensuring that misunderstandings are avoided). The specified deadlines have helped to make the exchange of information more dynamic and intensive, while making the process of communicating with other Member States easier, for example by reducing translation costs and administrative (paper) workload.

Hungary experienced some problems with integrating the e-Forms into its national system because it has an Oracle-based system whereas the e-forms were in Java.

Difficulties in obtaining information have not been caused by problems with the design or functioning of e-Forms; rather, typical reasons included restrictions in the legislation of other Member States concerning the accessibility of certain information (e.g. bank account details). The administration considers that the lack of harmonisation with respect to data protection legislation could therefore lead to redundant requests being made and received.

#### 5.1.2 Tax Identification Numbers (TIN)

TIN-on-the-web is little used by the Hungarian administration. The Central Liaison Office has informed its auditors about the possibility of using TIN-on-the-web but the usage has been relatively limited.

In principle, the administration stated that paying agents (e.g. banks) should use this tool when establishing the identity of beneficial owners who are residents in another county. The paying agent should establish the identity of the beneficial owner on the basis of the name, address and, if there is one, the tax identification number – the TIN - allocated by the Member State of residence for tax purposes. If the tax identification number is not mentioned on official documents, the identity shall be supplemented by the date and place of birth. Paying agents shall provide the tax administration with information concerning the beneficial owners resident in another country and receiving interest payment in Hungary.

This means that if the TIN of the beneficial owner is available for the paying agent, he/she could control its likely authenticity on TIN-on-the-web and communicate this data to the tax administration. If the tax administration receives data from the paying agents containing a TIN, it could also control the likely authenticity such that it can send out more precise information in the frame of the automatic exchange of information.

The problem that the Hungarian administration is facing with this process is that paying agents rarely provide the TIN (it is not required by Hungarian law), and so the administration does not have the possibility of controlling the structure. This also applies to the data received: the administration very rarely receives any information containing the TIN of a beneficial owner in the frame of the automatic exchange of information despite the fact that it would enormously simplify the identification procedure.

## **5.2 Improve cooperation between administrations ensuring better application of existing rules**

### **5.2.1 Joint actions**

A particularly important joint action in the field of direct taxation was the country profile project group. The Member States that participated in this group compiled a suite of documents that described the Direct Tax legislation in force in each Member State. The documents also contained information on: how Member States exchange information within their own legal framework; the typical time taken to provide information; and information on the data to which each Central Liaison Office has access. The documents are used frequently by the Hungarian administration and are considered to have helped to make tax assessments more effective and, arguably, contributed to an increase in revenues. As was the case in the Excise and VAT areas, the joint actions in the field of direct taxation have helped to foster personal contacts and networks. While it has to be underlined that on the basis of this single activity the overall effectiveness of the joint actions cannot be judged, this example is a good illustration of the great potential of the joint actions and their usefulness to the national tax administrations.

### **5.2.2 Multilateral Controls in the area of Direct Taxation (MLCs)**

Hungary has participated in three MLCs in the field of Direct Taxation. The details of these cases were not described during the interviews but it should be noted that the Central Liaison Office considers that MLCs are important tools for fighting tax evasion

and avoidance. Direct contact between officials in different Member States was considered to be a more effective and efficient method of engagement than sending e-Forms, particularly when complex issues are involved. The face-to-face contact permitted through MLCs helped also to improve understanding of differences in legislation and auditing methods between countries. Such learning was reported to have a long-term impact of helping to improve co-operation between Member States.

### **5.3 Overall assessment of Fiscalis 2013 in the area of Direct Taxation**

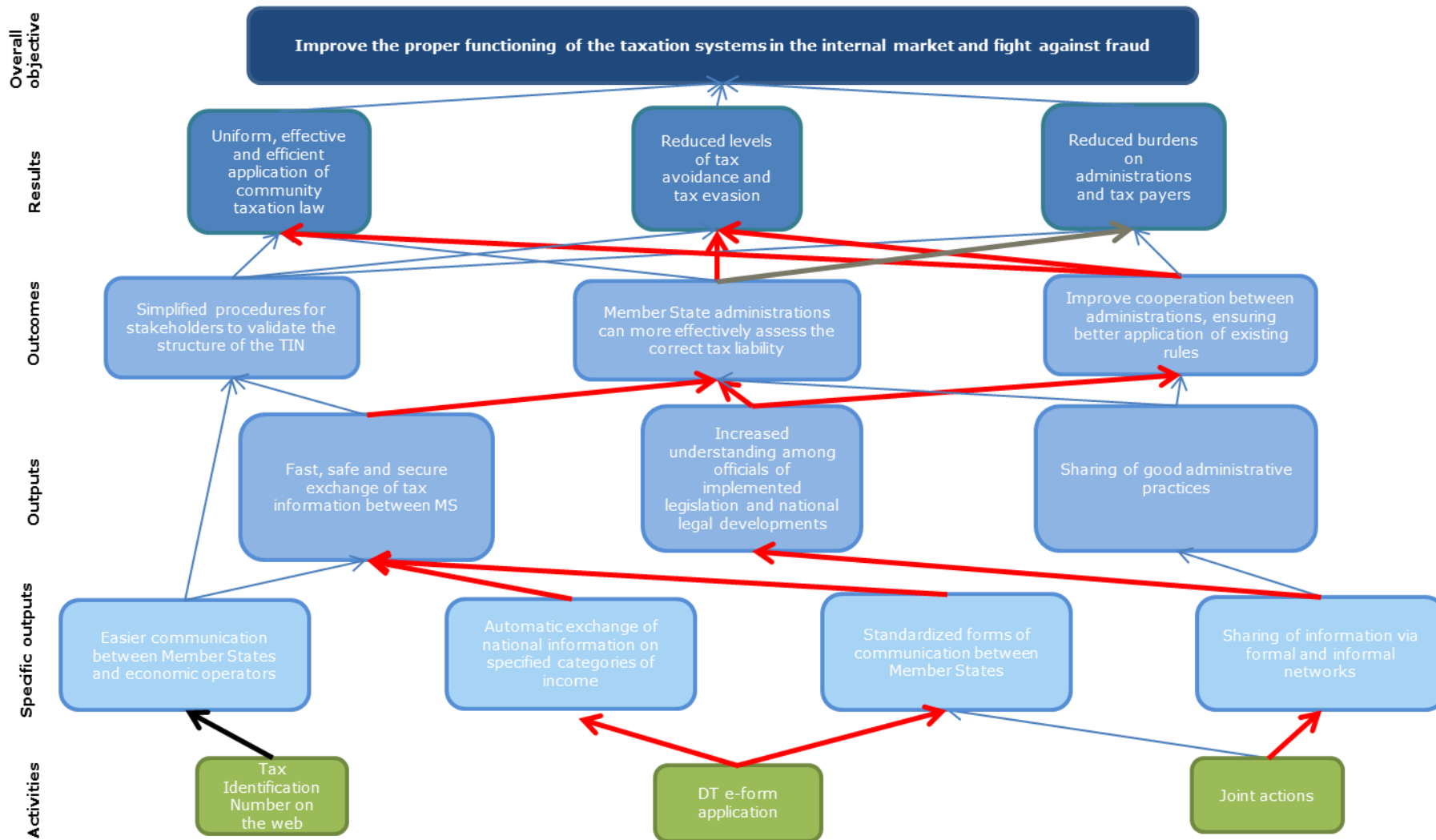
The information reported above has shown that the automatic exchange of information on interest paid on savings and standard e-Forms have been particularly important contributions of Fiscalis 2013 in the field of direct taxation. The impact of TIN-on-the-web has been rather limited while joint actions and MLCs were perceived to have benefitted the Hungarian administration in terms of improving its understanding of the practices and legislation of other Member States.

In addition, the case study found that the structure of the pre-existing national IT system can have an impact on the speed with and extent to which results are achieved.

The red arrows in the intervention logic illustrate the links which were verified by the Hungarian case study while the blue arrows show a number of links which could not be verified in the Hungarian context. The black arrow illustrates that this link between TIN and easier communication between Member States was not present in Hungary, as explained in section 5.1.2. The grey arrow shows a link that has been partially verified: the case study found that information-sharing reduced the administrative burden on the administration but did not provide evidence for an impact on economic operators.



The figure below illustrates which links in the intervention logic for the area of direct taxation have been verified by the case study.



## LIST OF INTERVIEWS

**Table 3 List of interviews**

<b>Tax Area</b>	<b>Responsibilities</b>
Excise / VAT / Direct	Fiscalis 2013 Coordinator
Excise / VAT / Direct	MLC Coordinator
Excise / VAT / Direct	Communications officer
VAT / Direct taxation	Tax Official
VAT / Direct taxation	Tax Official / CLO
VAT / Direct taxation	Tax Official / CLO
Excise Duties	IT
Excise Duties	IT
Excise Duties	IT
Excise Duties	IT
Excise Duties	Excise official
Excise Duties	Excise official
Excise Duties	Excise official / CLO
Excise Duties	Excise official / CLO

## Case study report - Luxembourg

### 1. Introduction

This case study attempts to provide picture of what effects Fiscalis 2013 has delivered in Luxembourg throughout the duration of the programme. The study pays particular attention to the use of the Fiscalis IT systems. Along with the four other case studies, the present one will feed into the Final Evaluation as a data source.

The purpose of the case study is to provide holistic evidence of the context in which Fiscalis 2013 contributed to realising programme objectives in Luxembourg. As the contribution of Fiscalis 2013 is related to contextual factors findings are not directly generalizable to other Member States, but it does enable cross analysis in the taxation areas. The goal here is to use the case studies as sources of detailed assessments of how Fiscalis 2013 contributed to reaching its objectives in a Member State context.

The case study's findings have been organised in sections examining the outcomes of Fiscalis 2013 by tax area rather than based on IT tools or activities. The purpose of this has been to allow the contribution story to examine the underlying mechanisms which deliver the effects within the tax areas. This allowed for the investigation of how Fiscalis 2013 contributed to delivering these outcomes in the context of Luxembourg, whereas an activity based approach would not allow for a complete narrative on the contribution to effect observed in Member States.

### 2. Methodology

This case study has been designed as part of a Contribution Analysis which allows the study to go into depth with the practical usefulness of the programme - in particular IT systems - to the tax administration in Luxembourg. The purpose is to assess to what extent the programme has produced the expected outcomes in a Member States context.

The case study bases itself on interviews with 17 tax officials conducted in Luxembourg in February 2014. The interviews were conducted as semi-structured interviews of approximately one hour duration. The interview questions were based on the hypotheses set out in the Final Evaluation, but also included questions on the interviewees' professional background within the administration as well as their experience with Fiscalis 2013. The following sections present the information gathered during those interviews and thereby offers an insight into how Fiscalis 2013 has contributed to the daily activities in the national tax authorities.

These interviews have allowed a level of detail which has given the study team the opportunity to recognize links not only between activities and outputs, but also between outputs, outcomes and results. As a result the case study provides a more complete picture of Fiscalis 2013's contribution to the national tax systems than would be provided by a cross-sectional analysis. Furthermore, the case study has helped reveal contextual and internal factors which have affected how Fiscalis 2013 has delivered results in Luxembourg. In other words, the case study has allowed for the contextualisation of Fiscalis 2013. This is crucial when assessing the importance of alternative explanations, contextual and internal drivers and inhibitors.

In the Final Evaluation, the case studies fed into the study as a data source alongside the data gathered through the surveys as well as the secondary data.

### 3. Value Added Tax

This section is structured around the main outcome and main result of Fiscalis 2013 within the area of VAT as set out in the Evaluation. The first two sections examine the main outcome and main result within the area of VAT:

1. The increased effectiveness of Member State administrations' in monitoring and controlling the flow of intra-community trade (outcome)
2. The reduction of the administrative burden for tax administrations and economic operators (result)

The last section presents the overall assessment of Fiscalis 2013 contribution to the expected results in Luxembourg.

Additionally, emphasis is placed on the central output, i.e. the automated exchange of VAT-related information between Member States' tax administrations. In relation to the IT systems, the case study focuses specifically on the following instruments: VIES, VIES-on-the-web, VAT refund and e-Forms.

#### 3.1 The increased effectiveness of Member State administrations in monitoring and controlling the flow of intra-EU trade

According to the interviews, Fiscalis 2013 had strong, positive effects in enabling and supporting Member States in more effectively monitoring and controlling the flow of intra-EU trade. This monitoring helped Member States combat fraud, tax avoidance and aggressive tax planning – an expected result of Fiscalis 2013. The interviews assess that Fiscalis 2013 mainly contributed to this result through:

- VIES
- MLCs
- Joint actions

The following subsections present the detailed findings.

##### 3.1.1 VIES' contribution to the fight against fraud

Interviewees assessed that VIES has made a contribution to the fight against fraud by delivering concrete results in terms of limiting and stopping tax fraud. The main mechanism behind VIES's effectiveness is providing tax officials with a comprehensive overview of VAT transactions in the EU, which in turn allows the national administration to compare information with their national data base.

In particular, the interviewees pointed out that VIES has made significant contributions to enable the Luxembourgish administration to match key information from VIES on cross-border transactions to their national records, increasing their ability to identify irregularities. This process has allowed tax officials to perform rapid checks on economic operators in another Member State. The data provided through VIES was generally considered accurate and available, although the information from Member States occasionally has been of low quality in the sense that it was incomplete or delayed. VIES's ability to lead to a reduction in fraud and to an increase in detected errors has, in part, been strengthened by a functional national administration, which had the resources and expertise to fully exploit VIES by quickly identifying irregularities and being able to follow-up on or further investigate these.

In extension of this assessment, interviewees underlined that VIES was a central component of Luxembourg's risk analysis system and risk management strategy. The risk analysis is facilitated by VIES because the administrations could check where an economic operator sells goods acquired in Luxembourg, and then investigate the

economic operator's recapitulative statements. In this risk management, VIES enables the administrations to monitor whether the buyer has reported the acquisition. As such, VIES improves the information available for national risk analysis and thereby enables the administration to more effectively monitor intra-EU transactions. This improvement on a risk analysis level helped enhance the risk management strategy by contributing to the development of a strategy that more effectively uses the information made available by VIES. Overall, the interviewees judged that this enabled the administration better combat fraud.

Interviews also indicated the presence of an internal factor which contributed to a reduction in fraud. In 2010, the Luxembourg administration switched to a monthly declaration system for companies, whilst other Member States used to this information on a quarterly basis.<sup>120</sup> Overall, this has contributed to the accessibility of data on a national level and thus increased the access to accurate and up-to-date information and monitoring of economic operators through VIES. At the same time, this has provoked issues with matching data in VIES, because other Member States may not be providing up-to-date data as frequently. Additionally, monthly recapitulative statements allow for a quicker reaction to irregularities and can therefore make a significant contribution to the fight against fraud as well as the reduction of errors.

Finally, according to interviewees, joint actions have supported the effective use of VIES in reducing fraud, because they give tax officials an opportunity to share best practices on risk management with other Member States. Joint actions facilitated exchange practices on how to most effectively incorporate the use of VIES in national risk analysis and then calibrate the national risk management strategies accordingly. Although risks do vary depending on the Member State, this exchange was highlighted by interviewees as very helpful and contributing to adjustments on a national level.

### **3.1.2 Multilateral controls in the area of VAT (MLCs)**

Interviewees assessed that MLCs have delivered a significant impact because they have contributed to stopping fraudulent economic operators, and thus the continual loss of due VAT revenues. At the same time, it remains unclear to what extent MLCs have enabled national administrations to recuperate the taxes lost due to fraud. During the interviews, two internal factors were identified as having strengthened the contribution of Fiscalis 2013 to fraud reduction.

Firstly, interviews indicated that MLCs have been effectively supported through the set-up of the Luxembourgish administration; the MLC coordinator has close contact with the small anti-fraud unit (15 auditors), which facilitates the involvement of the unit in organising measures and contributions to the MLC, as it possesses the necessary expertise to clarify when and how Luxembourg should participate in MLCs. This close contact between the MLC coordinator and the anti-fraud unit was suggested to have been achieved mostly thanks to the fact that the current MLC coordinator used to be an auditor. Specifically, the effective communication between the anti-fraud unit and the MLC coordinator has meant that the Luxembourgish assessment of when to participate in an MLC was more accurate than previously (where it may have been difficult for an

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<sup>120</sup> It is unclear how this is possible as, Member States have been obliged to receive monthly recapitulative statements from traders concerning intra-EU supplies of goods since January 1st 2010. It could be that the interviewees are referring to discrepancies in periodicity in relation to low values of supplies made, for which there is an exemption for in the Council Directive 2008/117/EC. For these supplies, economic operators should submit their recapitulative statements for each quarter rather than each month. However, Member States may have laid down restrictions to this exemption, which would allow for variation in the periodicity of recapitulative statements for low value supplies across Member States.

MLC coordinator to achieve support in deciding whether to participate or not). Secondly, besides providing input to the MLC coordinator when deciding whether the administration should participate in an MLC or not, the interviewees pointed out that the Luxembourgish contribution to the MLCs has been strengthened by the participation of officials from the anti-fraud unit who have extensive experience and expertise in this area. Regrettably, it was less clear how this change in participation occurred, but interviewees underlined that the anti-fraud unit had been able to provide valuable input on the economic operators under investigation.

At the same time, the interviewees suggested that one contextual factor may have inhibited the achievement of the full potential of the MLC - auditors from different Member States are bound by their national legal provisions as to the type and content of information they can and cannot exchange with their counterparts in other Member States. This has resulted in difficulties in exchanging information effectively across Member States during the MLC or the auditors not being able to exchange certain information at all. However, one interviewee noted that this did not prevent this particular MLC in achieving its results.

Additionally interviewees highlighted that different Member States have diverging views on whether cases older than 1-2 years should be taken into consideration or whether the MLCs should focus only more recent cases. As an example, this disagreement was perceived as a challenge in the execution of an MLC on intra-EU trade in used cars, because the older cases increased the overall workload and also often required more time and resources to investigate.<sup>121</sup>

Interviewees also underlined that MLCs contributed to fostering cooperation between Member States, which has ultimately helped tax officials calculate the correct tax liability, thanks to an EU network providing them with (access to) the necessary information quickly. This achievement was supported by the efforts of joint audits and through the facilitation of spontaneous information exchange. The joint audits were different from other MLC related audits as auditors from more than one Member State performed an audit together and produced a single report (rather than separate reports). In this regard, the interviewee noted that the joint audits also enabled auditors to exchange ideas and work together in practice.

Lastly, interviewees assessed that the MLCs facilitated the exchange of best practices, for example, through a 2013 full platform meeting,<sup>122</sup> where thanks to such exchanges the MLC coordinators gained insight into other Member States' practices with relation to the participation in MLC (for example MLC organisation and the division of responsibilities within the national administration), anti-fraud investigation, and auditing. Although there was no immediate occasion to make use of this knowledge, it later helped recognise similar problems or fraud schemes in Luxembourg (e.g. fraud with artwork or fraud in the sale of horses) and address them more effectively. Importantly, interviewees pointed out that the best practices are often not immediately applicable to the national context either because of the different legal conditions in Member States, or due to different budgetary priorities, for example. However, overall the exchange of best practises contributed to the effective monitoring of economic operators, as the Luxembourgish administration gained knowledge and awareness of fraud schemes or methods used in anti-fraud investigation.

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<sup>121</sup> This discussion eventually led to a change in procedure on included cases in an MLC, where the new procedure resulted in establishing that future MLCs on used cars should focus on recent cases only, i.e. not older than 1-2 years.

<sup>122</sup> The meeting was a full platform meeting which invited MLC coordinators from all Member States primarily to discuss fraud in the area of Direct Taxation (but fraud in other tax areas were also discussed). By combining seminars and workshops, the meeting both facilitated exchange of information and best practices.

## 3.2 Reducing the administrative burden for tax administrations and economic operators

This subsection examines how Fiscalis 2013 contributed to reducing the administrative burden for tax administrations and economic operators. The case study found that Fiscalis 2013 contributed to this reduction through:

- VIES
- VIES-on-the-web
- VAT-refund
- The exchange of information using standard e-Forms

### 3.2.1 VIES' impact on the administrative burden for tax authorities

Although VIES was primarily highlighted as a tool in the fight against fraud, the interviewees also found two important factors which made VIES effective also in reducing the administrative burden for tax administrations. Firstly, whereas previously only a few tax officials had access to VIES, this access has now been democratized within the Luxembourgish tax administration, with every tax official being able to consult it. Secondly, over the course of Fiscalis 2013, the information available on VIES has become increasingly accurate and complete. According to the interviews, these two aspects combined have contributed to decrease in the overall burden on the tax officials in their tasks of monitoring of trade flows in the context of the fight against fraud.

Specifically, it was pointed out that tax officials can now access the complete information on VIES themselves rather than have to go through a colleague has authorised to access it.

### 3.2.2 VIES-on-the-web

VIES-on-the-web was considered to have reduced the tax auditors' workload, because they can quickly validate an economic operator's VAT number and respond quickly to requests for information from other Member States, or other economic operators for that matter. Interviewees emphasised that without VIES-on-the-web, the tax auditors would have to increase their contact with economic operators and other Member States per telephone and by email, which would require more resources to validate VAT numbers and respond to requests. Ultimately, this would have increased administrative burden.

Additionally, it was suggested that by making it easier for economic operators to access information on their trading partners' VAT numbers, VIES-on-the-web reduced their administrative burden and sped up the formalities as they no longer had to request this information from a tax official. Of course, the national tax administration continued to provide support for economic operators when they requested it.

The interviews indicated one contextual inhibitor, which may have dampened the effect of VIES-on-the-web on reducing the administrative burden - although economic operators could use VIES-on-the-web to verify the VAT numbers of their trading partners, there was no electronic registration (history) of them having done so. As a consequence, the economic operator has to print a screen shot displaying the date on which they validated the VAT number of their trading partner. If the economic operator does not do this, the tax authority cannot quickly verify whether the economic operator has indeed controlled that the trading partners VAT number was valid. It was unclear how these cases were handled within the administration.<sup>123</sup>

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<sup>123</sup> Traders are legally required to verify the VAT numbers of trading partners taking part in intra-EU transactions, because the goods are exempted from VAT in the Member State from which they are dispatched.

### 3.2.3 VAT Refund

According to interviews, the introduction of VAT Refund resulted in administrative burden being moved from national administration to economic operators,<sup>124</sup> who now themselves must submit an electronic application for a refund of VAT incurred in another EU Member State to the tax authorities in the Member State where they reside. However, interviewees stressed that as the application for VAT refund is fully electronic, the administrative burden on economic operators decreased as they no longer had to rely on the national administration (in the Member State where they were established) to provide administrative support in the process. In other words, the VAT Refund resulted in an overall reduction in the administrative burden for both administrations and economic operators.

### 3.2.4 Standard e-Forms

Overall, interviewees assessed that there has been a rapid increase in the volume of exchanges made by standard e-Forms sent and received by Luxembourg during the course of Fiscalis 2013. One interviewee highlighted that this was partially explained by the fact that the information in VIES went from only encompassing goods to also including services from 2010 onwards. This contributed positively to the availability of information, which increased the occasions where the administration would follow-up on transactions through a standard e-Form. In other words, as VIES became richer in information, it increased the administrations opportunities for identifying cases of recovery, which were then pursued by requesting more information through an e-Form.

The interviewees pointed out that whilst this increase in communication resulted in an absolute increase in the administrative burden due to the sheer number of messages exchanged, it also increased the administration's need for e-Forms and resulted in the assessment that e-Forms had become more useful after 2010.

According to the interviews, the standard forms have been used both when receiving and sending requests for information within the area of VAT, which had an ambivalent impact on the administrative burden linked to information exchange. Firstly, it was noted that when requesting via an e-Form, some Member States tend to "tick all the boxes", i.e. ask for all or most of the information possible (going beyond what is strictly needed). As a result, it takes longer for the receiving Member State to provide an answer and the answer is also less accurate with relation to the actual need behind it. There may be a few reasons explaining this. Firstly, it is simply faster for the requesting Member State to tick all the boxes rather than carefully consider their needs and interests; in this way the administrative burden is shifted onto the receiving Member State. Secondly, as pointed out by the interviewees, the e-Form creates an incentive for the Member States to request all possible information instead of risking to erroneously leave a box blank and later discovering that some aspects of information are lacking. Finally, it could also be that the e-Forms are not perfectly clear and the format is not easy to interpret.

However, it was assessed that even when taking into account this unintended side-effect, the decrease in the administrative burden resulting from the standard e-Forms outweighed the occasional extra burden. One interviewee explained that overall, and over time, the standard form reduces the admin burden once the tax officials learn to use them better, knowing how to ask for certain information, without the need to write

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<sup>124</sup> Previously requests tax payers submitted (usually in paper or electronically) a request for VAT refund to the Member State in which VAT was paid. This meant that the tax payer had to communicate with tax authorities in other Member States. This may have increased instances where tax payers had to complete forms in foreign languages.



a letter or an email. The form was also deemed to be reducing the burden for the receiving administration, as the official reading the form knows the structure of the form and can therefore quickly look up the pertinent information. Additionally, the standard form represents the legal framework and ensures that the information requested is in accordance with this. In other words, it prevents administrations from making requests for information which the receiving administration is not legally obliged to provide. Overall, the interviewees judged that these standard forms are faster and more efficient than the previous letter/email based approach.

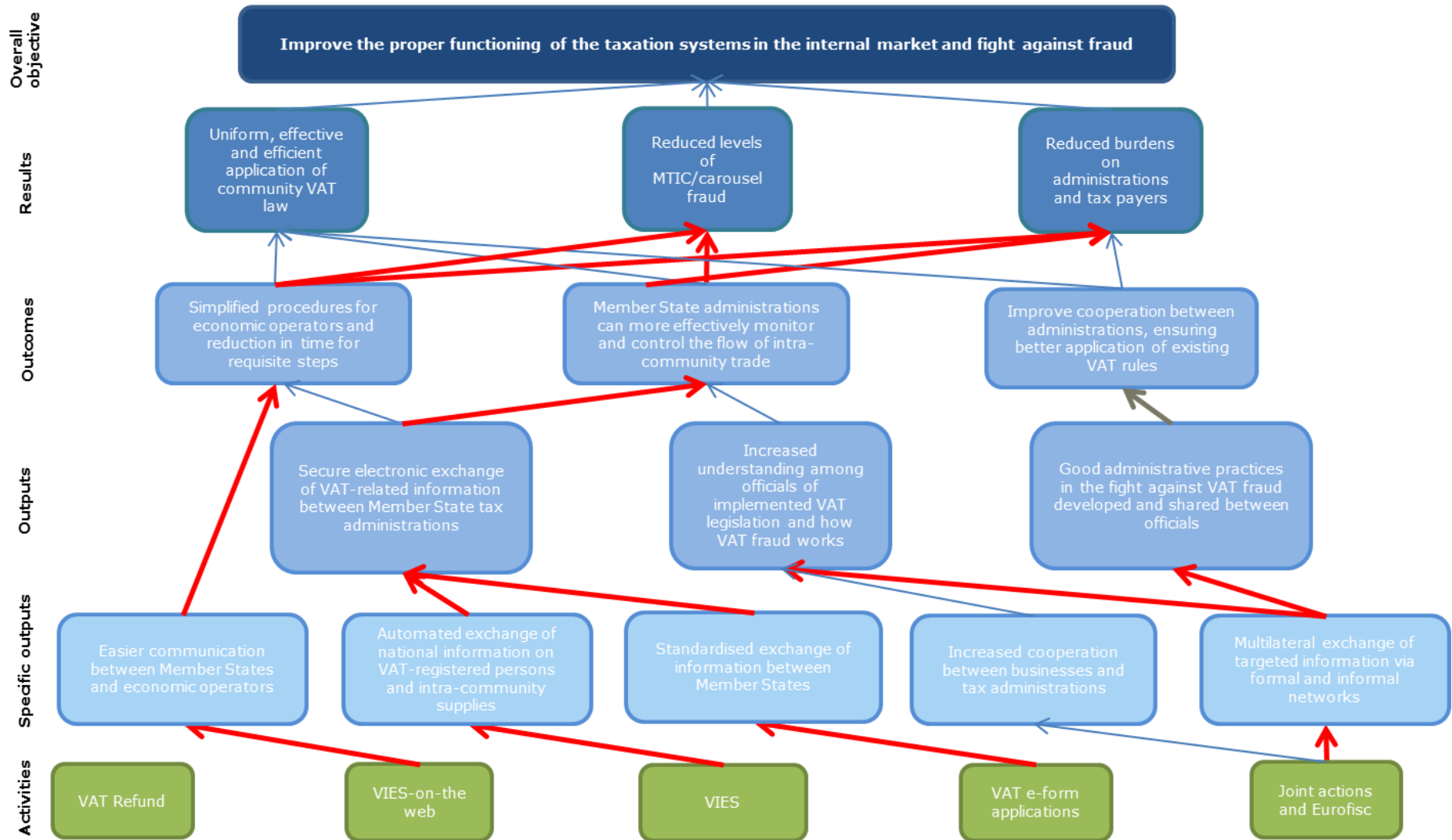
### **3.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Value Added Tax**

The case study found clear evidence that Fiscalis 2013 has supported the Luxembourgish administration in monitoring and controlling intra-EU trade flows, whilst reducing the administrative burden for both the administration and economic operators. According to the national administration, Fiscalis 2013 significantly contributed to these outcomes primarily through the VIES, VAT Refund, and VAT e-Forms. Additionally, the national administration ensured that the value and use of the Fiscalis 2013 IT systems was maximised by continuing to develop national IT systems to ensure that accurate information could be shared on VIES, which further improved the access to information as well as enhanced the quality and the timeliness of the information available.

The case study identified one extra factor, which may have contributed to the specific output "Multilateral exchange of targeted information via formal and informal networks", namely the Intra-European Organisation for Tax Administrations (IOTA). IOTA was brought up during several interviews within the area of VAT as a factor which has also contributed to improving the multilateral exchange of information.

Specifically, IOTA was considered to have contributed to the improvement of multilateral exchange of information through organising seminars and courses, which, just like Fiscalis, ultimately facilitated the multilateral exchange of information via formal and informal networks. It is beyond the scope of this case study to attribute impacts to IOTA's and Fiscalis' activities respectively, but the case study indicates that these were rather complementary than competitive. The case study confirms that the exchange of best practices was one of the most notable outputs of Fiscalis 2013.

The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study.



The red arrows in the intervention logic above illustrate the links which were verified by the Luxembourgish case study.

In addition to the influencing factors identified in relation to specific IT applications (included in section 3.1.1 and 3.2.1), the verified links were strengthened by a number of general internal factors which supported the programme in delivering its effects, namely:

- Support from managers in the tax administration;
- A tradition of cooperation due to prior participation in the previous iterations of the Fiscalis Programme;
- A national administrative capacity which facilitated participation by developing national IT infrastructure (e.g. IT systems digitalising the submission and storage of tax payer's tax statements) and contributing financially to the organisation of a seminar.

The case study did not identify any general influencing factors which weakened the links of the programme.

One link has been partially verified and this is illustrated by the grey arrow; the case study found that the good administrative practices in the fight against VAT fraud were developed and shared between officials and had helped improve cooperation between administrations. However, there is no firm evidence that consequently this cooperation led to ensuring better application of existing VAT rules.

As illustrated by the blue arrows in the intervention logic, a number of links could not be verified. In particular, the expected result "Uniform, effective and efficient application of community VAT law", was examined during interviewing and no interviewees could confirm that Fiscalis 2013 had contributed to achieving this result. However, the case study did not provide any evidence that this outcome has not been indeed achieved.

In sum, a majority of the expected links – from programme activity to result – have been verified within the area of VAT in Luxembourg. In particular, the case study delivers evidence that Fiscalis 2013 has contributed to delivering two of the expected results in Luxembourg. The case study findings have validated the intended theory of change (programme logic) of Fiscalis 2013, i.e. the activities carried out with support from the programme have clearly contributed to the achievement of outcomes and expected results in application of VAT legislation in Luxembourg. In particular, it can be concluded that VIES has been instrumental to this end.

## 4. Excise duties

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Excise as set out in the Evaluation. The first two sections examine the two main outcomes within the area of Excise namely:

1. The increased effectiveness of Member State administrations' in monitoring and improved control of movements under duty suspension
2. Simplified procedures and faster discharge of the movements

The last section presents the overall assessment of Fiscalis 2013's contribution to the expected results in Luxembourg.

Additionally, emphasis is placed on the **central outputs** i.e. fast, safe and secure exchange of real-time excise-related information between Member States, including the electronic transmission of the e-AD and the collection of operational data concerning the movements of goods and system usage. In relation to the IT systems this section focuses on the EMCS, SEED and the electronic exchange of e-ADs.

### 4.1 Member State administrations can more effectively monitor flows and improve the control of movements under duty suspension

#### 4.1.1 Excise Movement Control System (EMCS)

The EMCS system provides real-time information to all parties during the excise movement, thereby allowing the excise officials to monitor the transactions taking place. Excise officials assessed that this has reduced the number of fraudulent actions taking place, and thus EMCS can be said to have reduced levels of fraud.

Excise movements can be monitored in real-time, because EMCS has made it possible for economic operators to complete documents or reports faster than the paper-based movements. Thereby, EMCS has allowed the authorities to react faster by relying on the EMCS, as the system allows excise officials to monitor a transaction while it is happening and this improves the possibilities for organising and planning a control. This has enhanced their ability to monitor movements through the access to information on on-going movements, which for example related to checking if the volume of the consignment stated in the system is correct. Therefore, the interviewees assessed that the EMCS has helped the administration to reduce fraud (and mistakes). Additionally, the information provided within the system also allows economic operators to quickly identify if they are involved in movements which they did not agree to. Subsequently, the economic operator can alert the authorities of any irregularities. If economic operators flag such instances to the administration, this would indicate that the EMCS makes an additional contribution to the fight against fraud by empowering economic operators to also identify fraud and notify the administration of it. However, it was not clear to what extent economic operators have flagged such occurrences to the administration.

At the same time, some interviewees indicated that the impact on fraud might be lessened, because the system helps to identify mistakes rather than irregularities. In this regard the interviewees pointed out that a trader will often register a regular movement on EMCS, whilst several fraudulent movements which are not registered could take place. At the same time, this was not assessed as cancelling out the positive contribution of EMCS in reducing fraud.

#### 4.1.2 System for Exchange of Excise Data (SEED)

The combination of EMCS and SEED was assessed as increasingly important, since intra-EU transactions are being completed faster due to quicker transportation. In this regard, interviewees pointed out that in Luxembourg the EMCS has successfully been used in combination with SEED to make it possible for excise officials to follow movements as well as to ensure that they have access to the complete information on the economic operators involved in on-going movements.

SEED was considered to have helped prevent irregular movements, by enabling economic operators to check whether their trading partner has the authority to purchase excise goods before the transaction takes place. SEED was assessed as a significant improvement to the previous paper-based system where it took much longer for the operator to verify whether a trader had right to purchase a certain good. Concretely, interviewees underlined that this has meant that traders can no longer register a transaction of a good to another trader if the latter is not authorised to receive it, because the transaction will be blocked in the EMCS.

Thus, by enabling a quick verification of an economic operator's authorisation and preventing economic operators from registering transactions for goods they are not authorised to receive, SEED has improved the control of movement of excise goods.

It was assessed that this has helped reduce fraudulent movements significantly because it ensured that economic operators could quickly verify that trading partners were authorised to purchase the specific products. Interviewees noted that SEED contributed to the reduction of fraud through prevention rather than through identification of fraud followed by intervention.

## **4.2 Simplified procedures and faster discharge of the movement**

According to the interviews, SEED has reduced the burden on economic operators, because they no longer require the assistance of excise officials to find out whether they can sell certain goods to a given economic operator. The introduction of SEED has meant that economic operators can verify this information themselves. The interviewees point out that this has also reduced the burden on the officials, because they no longer have to verify Excise numbers for economic operators. One interviewee explained that in order to make sure that economic operators used SEED, the Luxembourg authorities raised awareness of the system and made a link to it available on the authority's internet site.

However, while the combination of SEED and EMCS helped simplify procedures for most economic operators, interviewees indicated that smaller businesses find the systems more difficult than the previous paper-based procedure which they were familiar with and where they could be assisted by an official from the national administration. Here, it was indicated that SEED and the EMCS resulted in a disproportionate burden because smaller businesses - with fewer resources - have to fulfil the same requirements as larger businesses i.e. have access to computerised systems and learn to use the system.

In relation to the electronic exchange of e-ADs, the interviewees assessed that they simplified the procedure through which a tax official checks whether an economic operator has received a certain good and paid the duties. The procedure has been simplified since excise officials can now match the e-ADs received with the duties received. This simplification has led to a reduced burden on the tax administration because it reduced the time it took for economic operators to submit their reports and also reduced the time it took for the administration to match the information.

The findings regarding the impact of electronic exchange of e-ADs on economic operators have been mixed. Interviewees explained that the general feedback from businesses has been critical as the paper-forms were easier for them to fill out. This has especially been the case for smaller producers who only rarely use the e-Ads and the system. However, the interviews indicate that the electronic exchange of e-ADs has

made the procedure both easier and simpler for larger economic operators who frequently conduct import-export transactions.

Interviewees noted that the electronic exchange of the e-AD has resulted in a faster discharge of movements. The reason for this was mainly that documents previously got lost or that economic operators did not comply with the requirements, which resulted in delays. These challenges, which led to issues during the previous paper-based system, have been mitigated by the electronic exchange, because the economic operators receive an electronic reminder to submit their reports and because the e-Ads are transmitted electronically. This was said to have increased efficiency by lowering the costs attached of the trader transport guarantee, the reason behind this being that the receipt of a good can be confirmed and transmitted faster, which in turn releases the guarantee faster.

### **4.3 Overall assessment of the contribution of Fiscalis 2013 in field of Excise Duties**

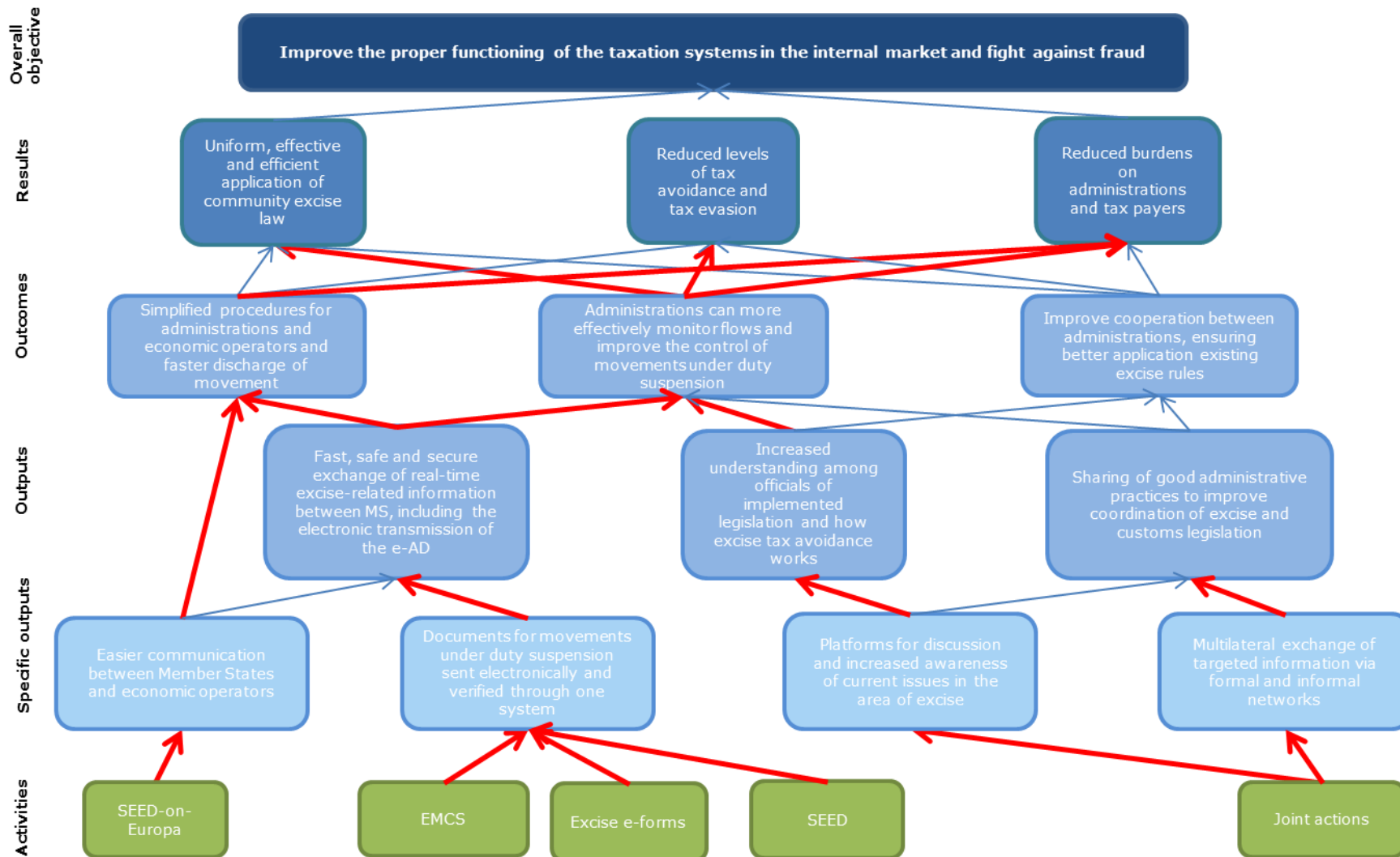
Although the levels of surveillance of goods have remained the same in Luxembourg, Fiscalis 2013 significantly contributed to improving the Luxembourgish tax authority's ability to monitor trade flows and improve controls. In particular the EMCS made the monitoring easier by providing excise officials with more precise information on and an overview of movements. In particular, this improved the officials' ability to check the coherence between intra-EU traders by specifically controlling whether the information on the volumes stated in the system is correct.

SEED enabled national administrations to quickly verify an economic operator's authorisation, which prevented them from registering transactions for goods they were not authorised to receive. The case study found that SEED hereby improved the control of movement of excise goods. The evidence collected shows (e.g. through interviews) that this has helped reduce fraudulent movements significantly because it ensured that economic operators could quickly verify that trading partners were authorised to purchase the specific products. Importantly, SEED contributed to the reduction of fraud through prevention rather than through identification of fraud followed by intervention.

The electronic exchange of e-ADs provided officials with the possibility to match the e-ADs received with the duties paid. This contributed to simplifying the procedure in two ways. Firstly, it made it easier for an official to check whether an economic operator has received a certain good and paid the duties. Secondly, it made it easier for economic operators to submit reports and receipts because they could now do this electronically. These simplification led to a reduced burden on the tax administration because it reduced the time it took for economic operators to submit their reports and also reduced the time it took for the administration to receive the reports.

Overall, the case study also found that Fiscalis 2013 contributed to an important reduction in the administrative burden incurred from intra-EU trade. Specifically, from an administrative perspective, the electronic exchange has simplified procedures and made it less burdensome to monitor which economic operator receives what good, as well as monitoring businesses who receive new types of goods. Moreover the e-ADs have been found to result in a faster discharge of movements. Finally, although the findings on whether procedures have been simplified for economic operators are mixed, the case study indicates that there is an overall reduction of the administrative burden.

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.





The red arrows in the intervention logic above illustrate the links which were verified by the Luxembourg case study.

The case study did not identify any general influencing factors strengthening or weakening the programme's links.

As illustrated by the blue arrows in the intervention logic a number of links could not be verified. However, the case study did not provide any evidence that these links have not been achieved (i.e. it is assessed that community excise law is effectively and efficiently implemented in Luxembourg).

In sum a majority of the expected links – from programme activity to result – have been verified within the area of Excise in Luxembourg. In particular, the case study delivers evidence that Fiscalis 2013 has contributed to delivering three of the expected results in Luxembourg. The case study findings have validated the Fiscalis 2013 intended theory of change (programme logic) i.e. the activities carried out with support from the programme have clearly contributed to the achievement of outcomes and expected results in Luxembourg. One notable finding is that the EMCS and SEED IT systems have both delivered improved monitoring and control of movements, while also contributing to a reduced administrative burden for the administration and – to a certain extent – economic operators.

## 5. Direct Taxation

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Direct Taxation as set out in the Evaluation, namely:

1. Secure efficient, effective and extensive information exchange and administrative cooperation
2. Improve cooperation between administrations ensuring better application of existing rules.

The last section presents the overall assessment of Fiscalis 2013 contribution to expected results in Direct Taxation in Luxembourg.

Additionally, emphasis is placed on the **central output**, i.e. the closed and secure IT network allows fast, safe and secure exchange of information between Member State administrations. In relation to the IT systems the section mainly concerns the use of e-Forms and to a lower degree TIN-on-the-web.

### 5.1 Secure efficient, effective and extensive information exchange and administrative cooperation

The Luxembourgish administration has increasingly used CCN mail 3 to exchange information. The explanation behind this is that CCN mail is an effective and secure system through which the administration can communicate with other Member States. While CCN is primarily commended for providing security, the standard forms for the exchange of information have contributed significantly to making the information exchange and administrative cooperation both more effective and more efficient.

#### 5.1.1 Standard e-Forms

e-Forms were said to have made it easier to exchange the request for information because the requirements are pre-defined and officials receive guidance from the pre-defined fields on what information to include. Additionally, when an official receives a request for information, it is easier to respond to different questions directly beneath them. The interviewees underlined that tax officials also find it easier to identify the most important information in the document, because the layout and structure is the same across Member States and requests. Since a majority of the EU requests for

information and recovery demands are submitted to Luxembourg by e-Form, the effect has been significant. The interviewees remarked that Luxembourg does not rely heavily on receiving information from other Member States, but that the administration is very active in sending information to other Member States.

Interviewees assessed that e-Forms have contributed to making the requests for information clearer, because the forms ensure that certain information is included. In particular, this has ensured that the background information included in requests is sufficient and accurate, which has helped make information exchange both more effective and efficient.

However, interviewees also pointed to a disadvantage of e-Forms. Since the change from free-text communication to the e-Form, tax officials have experienced that other Member States occasionally "tick all boxes". This has meant that whereas Member States used to be more precise in their requests, they have now increased the burden on the receiving Member State's administration. Interviewees explained that the Luxembourgish administration has developed an ad-hoc approach to cope with this increased burden, namely that the tax officials reply to the questions which they assess as more important.

It should be noted that the exchange of information with third countries was said to be more time-consuming in comparison to e-Forms, because every country has its own approach to making requests for information. One interviewee remarked that this often results in requests for information not being explicit enough. In such situations, the administration has to ask clarifying questions about the request. Moreover, officials have to read the whole request, whereas with the e-Form officials know where to look for information. This experience further consolidated interviewees' assessment that e-Forms have reduced administrative burden.

According to the interviews, the information exchanged automatically on interest paid on savings does not allow Luxembourgish tax officials to calculate tax liabilities more effectively. The reason is twofold. Firstly, national legislation currently does not oblige financial institutions to exchange such information. Secondly, Luxembourg has not yet implemented the provision (from the Directive 2011/16/EU) on the automatic exchange of available information in the national administration. This provision will become effective as of January 1<sup>st</sup> 2015. However, findings suggest that the information exchanged automatically on interest paid on savings can contribute to increased compliance, because tax payers are unsure of what the tax administration knows, which gives the administration an advantage.

The interviews indicated that the effects of Fiscalis 2013 on information exchange may be dampened by a contextual factor, namely that Luxembourg bank secrecy laws prevent banks from sharing personal and account information. This was mentioned repeatedly by interviewees as a factor which restricts the exchange of information. As a result, Luxembourg only exchanges information on the request of the tax payer. However, the interviewees assessed that during Fiscalis 2013, tax payers increasingly agreed to exchange information because they are preparing for the legislative change entering into force in 2015, which will make it compulsory for them to exchange information (under certain conditions).

### **5.1.2 Tax Identification Numbers (TIN)**

The interviewees stressed that TIN made no contribution to the identification of tax payers during the automatic exchange of information. The interviewees assessed that the key reason for this is that Luxembourg does not receive requests on the TIN numbers from other Member States and therefore Luxembourg does not check TIN-numbers. Interviewees explained that the field in the online formula containing the TIN-number is optional and the administration exclusively performs checks on mandatory fields. According to the interviews, the administration would make greater use of it, if the TIN-number was requested by other Member States.

## **5.2 Improve cooperation between administrations ensuring better application of existing rules**

It was considered that neither the seminars which focused on improving the application of existing rules, nor other joint actions lead to a better understanding of implemented legislation. However, the informal dialogue between tax officials contributed to the sharing of new ideas and helped ensure the application of existing rules. Interviewees made a distinction between the exchange of practical advice – for example, useful ideas on how to implement national IT systems supporting the application of law – and a better understanding of implemented legislation, which was emphasised as concerning interpretation of legislation. Interviewees underlined that the Fiscalis 2013 activities supported mainly the exchange of practical advice. In this regard, one important explanatory factor is that tax policy remains a primarily national competence. As a result, the effects of Fiscalis 2013 are limited because Member States' interpretation and national context differ. The interviews suggested that this hampers the cooperation between administrations on the application of existing rules, especially within the area of Direct Taxation, where there is less tradition for cooperation and less common legislation.

### **5.2.1 Joint actions**

According to interviews, the information obtained during seminars led neither to any tangible results, such as improving the administration's ability to correctly calculate tax liability, nor to changes within the national administration. At the same time, the interviewees did stress that Luxembourg had an interest in sharing information with other Member States, although they found it difficult to give concrete examples of why.

Another benefit derived from seminars was considered to be the opportunity for Member States to update the Commission on recent policy developments, potential issues or needs in the national administrations.

Interviewees highlighted that it was difficult for Luxembourg to make use of the knowledge obtained during seminars within the administration, because it often was not applicable directly in the national context. Moreover it was difficult to go into detail on specific subjects during discussions due to the diversity of the seminar participants, both in terms of Member State representation and the participants' level of know-how. At the same time, interviewees assessed that Member States had the chance to understand the positions and culture of other Member States' tax administrations. Occasionally, the ideas and knowledge obtained through seminars were transferred to other forums, some which were outside Fiscalis 2013 – e.g. the BENELUX cooperation or Intra-European Organisation of Tax Administrations (IOTA).

While none of the interviewees assessed that seminars have contributed to changes in procedures in national administration, it was pointed out that seminars have helped Member States share ideas on how they implement legislation and how they conduct their work, as well as how they solve problems. For example, seminars give insights into how other Member States use TIN or why they do not use TIN. Interviewees judged that this has helped Luxembourg reflect on how they use - or do not use - e-Forms or TIN. Joint actions have also increased the amount of contact that Luxembourg initiates with other Member States in case of problems which can be solved on a bilateral or multilateral basis.

In contrast to seminars, project groups were highlighted as having an advantage in ensuring the better application of existing rules, because they are small groups of volunteers who are working on solving a specific problem. Here, it was highlighted that project groups often came up with solutions on how to apply existing rules, which were more applicable in Luxembourg and easier to adjust to fit the national context.

An important output of joint actions was the opportunities they offered the Luxembourgish administration in terms of establishing personal contacts and bilateral

cooperation with other Member States. Here the social aspects of seminars were highlighted as important and it was emphasised that the social programme should be planned and executed as carefully as the seminar itself. The main benefit of the social programme was that it allowed for exchanges of unofficial opinions, which gave helped officials get the full picture of how different practices worked in other Member States.

One interviewee pointed out that a contextual factor which hampered the potential of the joint actions during Fiscalis 2013 was that language barriers made it difficult to exchange documents containing relevant information. This was suggested to be a frequent occurrence.

### **5.2.2 Multilateral Controls in the area of Direct Taxation (MLCs)**

The case study found insufficient evidence (no concrete or tangible data was available) of the contribution of MLCs to an increase in the collected revenues within the area of Direct Taxation in Luxembourg. However, MLCs were reported to have provided Member States with an opportunity to discuss in which Member State(s) the revenue should be collected, which contributed to ensuring the application of existing rules. The consequence of this improved application of rules was that taxation on profits may have been reallocated from one Member States to another, as a result of an MLC.

Interviewees explained that Luxembourg did not take part in the full platform meetings (annual meetings involving all MLC coordinators), in testing the MLC procedures or in uploading documents on CIRCABC apart from contact details. Rather, within the area of Direct Taxation the most useful aspect of MLCs was the provided opportunity to exchange information on subjects such as transfer pricing. Another benefit of participating in MLCs was that other Member States had the opportunity to reconsider their preconception of Luxembourg as a "closed" tax administration, since the MLC provided the opportunity to cooperate. It was assessed that this process has helped improve the overall cooperation with administrations in other Member States.

It was suggested that this improvement of cooperation could in turn have contributed to the application of existing rules, but a number of factors prevented this from happening during MLCs. Firstly, the responsible MLC coordinator (who initiated the MLC) did not always share information systematically by emails, which made it difficult for other Member States to fully benefit from participation in the MLCs. Secondly, differences in national legislation and political approaches can produce different understandings of how rules should be applied. Thirdly, at times bilateral cooperation within Direct Taxation is a good alternative to multilateral cooperation, because the political constraints are different and stronger in a multilateral context. As a result, Member States may choose to focus on bilateral cooperation when trying to improve the application of existing rules. In such cases, bilateral MLCs may be more suitable than multilateral MLCs.

### **5.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Direct Taxation**

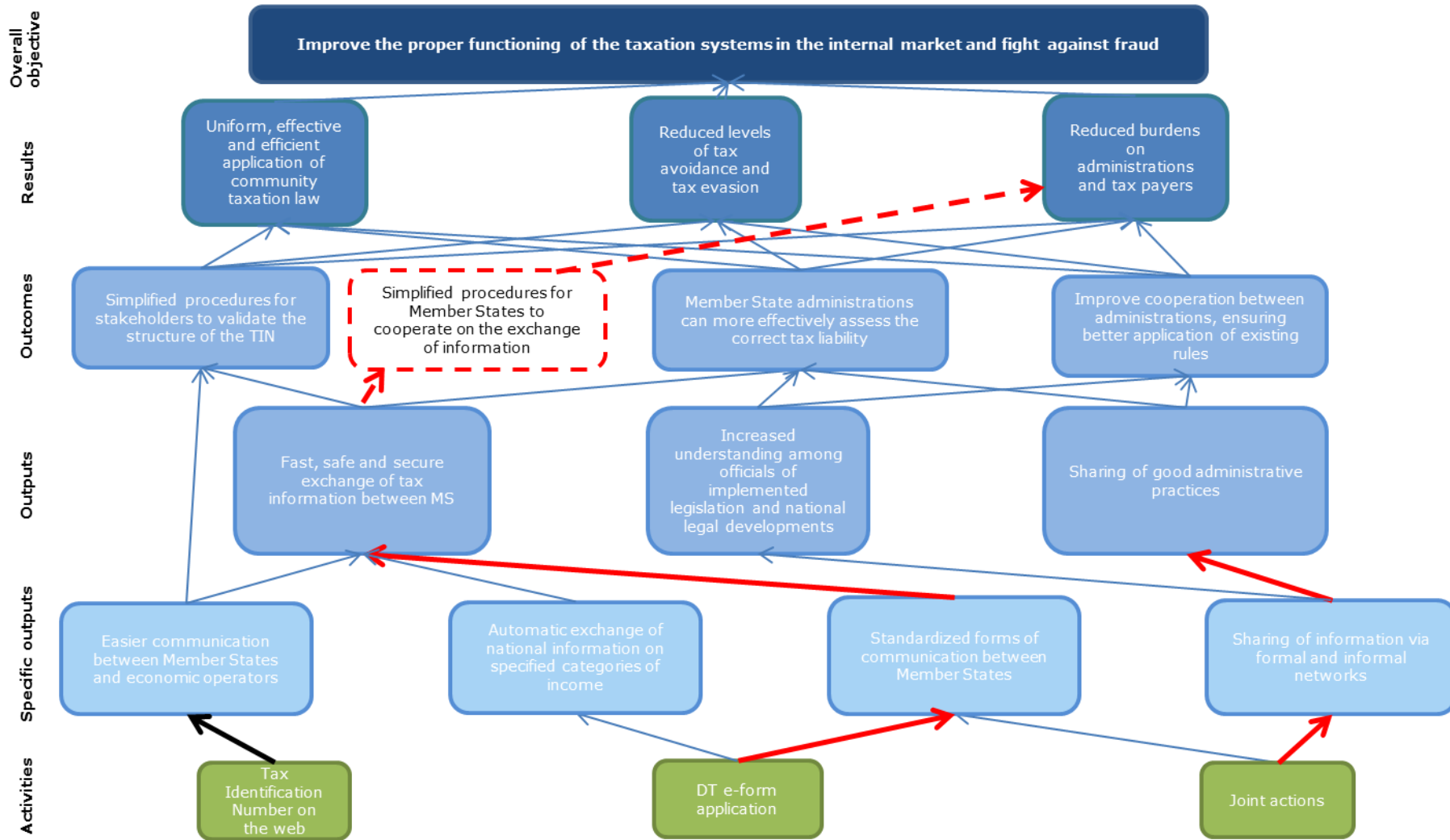
Overall, the case study found that the national tax administration has benefitted from a secure, effective and efficient information exchange. It was assessed that the Luxembourgish administration has been significantly better informed of good practices than it would have been without Fiscalis 2013.

In extension to this, Fiscalis 2013 has facilitated the provision of information in a systematic and structured standard format. In particular, the programme has contributed to the improved functioning of the national administration by facilitating the electronic exchange of information. Additionally, Fiscalis 2013 was the main method of sharing ideas across Member States.

The case study could not identify that the improved administrative cooperation between Member States led to tangible results in ensuring the application of existing rules within

the area of Direct Taxation. At the same time, the case study did not find any evidence that existing rules were not being applied.

The figure below illustrates which links in the intervention logic for the area of direct taxation have been verified by the case study.



The dashed-arrows show new links which were identified during the case study, i.e. links that were not established in the programme theory. The dashed-box show a new outcome identified during the case study, namely “Simplified procedures for Member States to cooperate on the exchange of information”. The case study documented that this led to a reduction of the administrative burden on the tax administration which is a result of the Fiscalis 2013 programme.

The black arrow illustrates that this link between TIN and easier communication between Member States was not present in Luxembourg as explained in section 5.1.2.

As illustrated in the above intervention logic, a majority of the links remains unverified, since the case study could not validate the links in Luxembourg. At the same time, the case study did not provide evidence that these links are not present. In other words, while the case study can confirm that evidence is lacking, none of the available evidence rejects the presence of the links altogether.

The case study identified one main contextual influencing factor which could have prevented Fiscalis 2013 from delivering the expected effects, namely that Luxembourg bank secrecy laws prevent banks from sharing personal and account information. Several interviewees emphasized that this restricted the possibilities to exchange data with other Member States.

## LIST OF INTERVIEWS

**Table 4 List of interviews**

Tax Area	Responsibilities
VAT	Fiscalis 2013 Coordinator
VAT	MLC Coordinator
VAT	Eurofisc Coordinator
VAT	IT
VAT	IT
VAT	CLO
VAT	Tax Official
VAT	Tax Official
Direct Taxation	Tax Official
Direct Taxation	Tax Official
Direct Taxation	Tax Official
Direct Taxation	Tax Official/IT
Direct Taxation	MLC Coordinator
Excise Duties	Coordinator/Excise official
Excise Duties	MLC Coordinator
Excise Duties	Excise official
Excise Duties	Excise official



## Case study report – The Netherlands

### 1. Introduction

This case study attempts to provide a picture of what effects Fiscalis 2013 has delivered in the Netherlands throughout the duration of the programme. The study pays particular attention to the use of the Fiscalis IT systems. Along with the four other case studies, the present one will feed into the Final Evaluation as a data source.

As a data source, the purpose of the case study is to provide holistic evidence of the context in which Fiscalis 2013 contributed to realising programme objectives in the Netherlands. The findings are not directly generalizable to other Member States because the contribution of Fiscalis 2013 is related to contextual factors, but the case study does enable cross analysis in the taxation areas. The goal is to use the case studies as sources of detailed assessments of how Fiscalis 2013 contributed to reaching its objectives in a Member State context.

The case study's findings have been organised in sections examining the outcomes of Fiscalis 2013 by tax area rather than based on IT tools or activities. The purpose of this has been to allow the contribution story to examine the underlying mechanisms which deliver the effects within the tax areas. This allowed for the investigation of how Fiscalis 2013 contributed to delivering these outcomes in the context of the Netherlands, whereas an activity based approach would not allow for a complete narrative on the contribution to effect observed in Member States.

*Note: Several interviewees were critical of the fact that the first Annual Work Programme for Fiscalis 2020 had been put in place prior to the conclusions from the Final Evaluation of Fiscalis 2013.*

### 2. Methodology

This case study has been designed as part of a Contribution Analysis which allows the study to go into depth with the practical usefulness of the programme - in particular IT systems - to the tax administration in the Netherlands. The purpose is to assess to what extent the programme has produced the expected outcomes in a Member States context.

The case study bases itself on interviews with 11 tax officials conducted in the Netherlands in March 2014. The interviews were conducted as semi-structured interviews of approximately one hour duration. The interview questions were based on the hypotheses set out in the Final Evaluation, but also included questions on the interviewees' professional background within the administration as well as their experience with Fiscalis 2013. The following sections present the information gathered during those interviews and thereby offers an insight into how Fiscalis 2013 has contributed to the daily activities in the national tax authorities.

The interviews have allowed a level of detail which has given the study team the opportunity to recognize links not only between activities and outputs, but also between outputs, outcomes and results. As a result, the case study provides a more complete picture of Fiscalis 2013's contribution to the national tax systems than would be provided by a cross-sectional analysis. Furthermore, the case study has helped reveal contextual and internal factors which have affected how Fiscalis 2013 has delivered results in the Netherlands. In other words, the case study has allowed for the contextualisation of



Fiscalis 2013. This is crucial when assessing the importance of alternative explanations, contextual and internal drivers and inhibitors.

In the Final Evaluation, the case studies fed into the study as a data source alongside the data gathered through the surveys as well as the secondary data.

### 3. Value Added Tax

This section is structured around **the main outcome and main result** of Fiscalis 2013 within the area of VAT as set out in the Evaluation. The first two sections examine the main outcome and main result within the area of VAT:

1. The increased effectiveness of Member State administrations' in monitoring and controlling the flow of intra-EU trade (outcome)
2. The reduction of the administrative burden for tax administrations and economic operators (result)

The last section presents the overall assessment of Fiscalis 2013 contribution to the expected results of the programme in the Netherlands.

Additionally, emphasis is placed on the **central output**, i.e. the automated exchange of VAT-related information between Member States' tax administrations. In relation to the IT systems, the case study focuses specifically on the following instruments: VIES, VIES-on-the-web, VAT refund and e-Forms.

#### 3.1 The increased effectiveness of Member State administration in monitoring and controlling the flow of intra-EU trade

##### 3.1.1 VIES' contribution to the fight against fraud

VIES was assessed as an indispensable part of the Dutch tax administration's toolbox in conducting risk analysis during Fiscalis 2013. Here, the respondents stressed that the information contained in VIES offers them essential input in combatting tax fraud in the area of VAT, because it allows them to match key information between Member States concerning VAT identification numbers, the date of issue, the economic operator's name, the economic operator's address and, where applicable, the date of cessation of validity of a VAT number. When data from across Member States is timely and accurately registered, it allows national administrations to monitor and control the flow of intra-EU trade to detect all kinds of irregularities.

Interviewees were of the opinion that Member States would have to find another way to finance VIES if it would not be financed through Fiscalis 2013. VIES was seen as a necessity because the exchange of information - defined in the EC-Council Regulation 904/2010 - is compulsory for all Member States. In this regard, it was considered that VIES enabled the administrations to comply with their obligations, by making it possible to register the information required by the regulation without delay. Additionally, the interviewees explained that if Member States had to finance VIES directly, the drawbacks would include a budget cut on other spending and an annual struggle to ensure that VIES is be financed.

##### 3.1.2 Multilateral controls in the area of VAT (MLCs)

The main reasons for initiating MLCs in the field of VAT were reported to be related to the identification of carousel fraud (cars, copper) and fraud in internet business

transactions (in particular those related to services). It was underlined that the MLCs initiated during Fiscalis 2013 have reflected an increased effort in these areas. However, the priority areas are also expected change because companies will react to the increased attention from the MLCs and change their fraudulent practices.

Fiscalis 2013 made a flexible organisation of MLCs possible through the provided funding and support which ensured that enough time and resources were available for carrying out the MLCs. Another aspect was that fraudulent behaviour often required a quick reaction from the Member States as the fraud perpetrators would otherwise get away. Here Fiscalis 2013 ensured that Member States had the possibility to quickly propose an MLC, receive approval and start working together.

It was assessed that the conducted MLCs have produced a number of results, namely:

- Sharing of best practices which led to increased efficiency in auditing.
- Recuperating of tax payments due <sup>125</sup>
- Preventing fraud
- Repressing fraud

These effects were seen as being positively influenced by the MLC coordination team<sup>126</sup> in place in the Netherlands, which consists of the MLC coordinator, 5 project managers (who dedicate 50 % of their time to MLCs) and two assistants. Another influencing factor was the fact that the MLC coordinator network is well-established. This has helped foster trust between Member States, which was assessed to have resulted in an increased willingness of coordinators to work quickly and accurately with each other, which was crucial to the effectiveness of MLCs.

### **3.2 Reducing the administrative burden for tax administrations and economic operators**

This subsection examines how Fiscalis 2013 contributed to reducing the administrative burden for the Dutch tax administration and economic operators. The case study found that Fiscalis 2013 contributed to this reduction through:

- VIES-on-the-web
- VAT-refund
- Joint actions

The positive contributions of these Fiscalis 2013 activities and tools are described in the following subsections.

It should also be noted that feedback was provided in relation to the administrative burden attached to the introduction of new IT systems.

The implementation of new systems as well as developments of existing systems was said to be hampered by the structure and content of the process specification documents. Specifically, interviewees underlined that the documents do not separate existing specifications from the new specifications, and do not have a clear division between the EU specifications and national specifications. This makes it very time consuming for national IT departments when they have to identify which specifications relate to national IT systems. Additionally, it was suggested that the translation and implementation of technical changes would be much faster if the specifications were

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<sup>125</sup> The interviewee gave a number of examples (across tax areas): MLC 121, MLC 163, MLC 190, MLC 223 and MLC 191 and underlined that there were many more.

<sup>126</sup> This team covers MLCs across all tax areas

divided into the sections related to specific functions of the system or component of the implementation process. In this way IT developers would be able to better prioritise the implementation phases, because the document would reflect in which order the work executed as part of an update or implementation process should be carried out. The IT developers mentioned that the process specifications for the Mini One Stop Shop (MOSS) were easier to use because there was an annotated version. The annotated version allowed national IT developers to easily identify additional specifications which were added after the first process specification. This saved time, because they no longer had to repeatedly review the document in its entirety. This example was used by the interviewed respondents to demonstrate administrative burden for the IT staff in Member States could be reduced.

### **3.2.1 VIES' impact on the administrative burden for tax authorities**

No information on the impact of VIES on the administrative burden for tax authorities could be provided by the respondents.

### **3.2.2 VIES-on-the-web**

Access to VIES-on-the-web has reduced the administrative burden for the Dutch Tax and Customs Administration. Since the system allows tax administrations and traders to confirm the validity of VAT numbers online, the administration discontinued the slower **and more costly** procedures for oral or written confirmations of EU-VAT numbers at their call centres and/or at their Central Liaison Office. Furthermore, VIES-on-the-web made it possible for the administration to implement changes to VAT numbers in the system faster than previously, as this could be done online.

Interviewees found it difficult to assess whether the simplified economic procedures resulting from VIES-on-the-web had reduced the burden on taxpayers. They pointed out that to their knowledge, no deliberate research on VIES-on-the-web's effects on the Dutch taxpayers has been conducted. In this regard, it was also stressed that VIES-on-the-web has only been running for 14 months<sup>127</sup> and it may be premature to draw a conclusion.

### **3.2.3 VAT Refund**

The recent implementation of VAT Refund IT system took place during Fiscalis 2013. One interviewee reported that the economic operators have provided feedback to the Dutch tax administration stressing that VAT Refund is a significant improvement for them. VAT Refund has contributed to increasing the compliance of economic operators, as it reduced the compliance costs and made compliance easier by eliminating the need for representation in other Member States. Moreover, the Dutch administration has been able to deliver better services to economic operators after the VAT refund system was introduced, thanks to the simplified procedure. It was assessed that this had increased the goodwill of economic operators who became more likely to deliver information in connection with investigations and more willing to admit mistakes.

### **3.2.4 Technical aspects of VAT refund**

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<sup>127</sup> As of March 10th 2014

A number of the technical aspects of the VAT refund system hampered VAT refund from reducing the administrative burden for national administrations. In particular, the interviewees explained that VAT refund – which uses the CCN/CSI gateway, has experienced technical problems due to the size of the messages. This issue was not taken into account at the EU level and as a consequence larger messages could be sent but not delivered as through the system. Another issue was related to the temporary unavailability of the VAT refund system, which led to complaints from businesses and to a backlog of around 35,000 requests for the national administration.<sup>128</sup> Unfortunately, the interviewees were not able to specify how long the VAT refund was unavailable.

Interviewees also pointed to a security issue with VAT refund, which relates to the fact that PDF files can be attached to the messages, and that most malware is transmitted through PDFs. Although the interviewees did not have evidence of security breaches through PDFs attached to VAT refund messages, they stressed that the absence of proof does not mean that no breaches have taken place.

Additionally, interviewees raised the point that Fiscalis 2013 could have contributed more to the awareness raising on IT security issues in the connectivity between the national systems and IT systems funded by the programme. Two interviewees had attended IT training courses on IT Architecture and Security, but these focused more on physical security<sup>129</sup> rather than connectivity security. This was said to hamper the full effects of the IT systems in reducing administrative burden – security issues increased the administrative burden attached to the use of the systems as the national administration had to perform their own security checks when connecting with national systems.

One of the highlighted issues was that some Member States transmit infected messages because they have insufficient IT security on a national level. The issue is further exacerbated, as these messages are further on transmitted directly to the economic operator. The interviewees stressed that Member States trust each other and therefore do not perform sufficient control, which is positive and necessary, because Member States would otherwise be less willing to exchange information, but also makes it possible for security breaches to take place. Although no concrete solution to this issue was proposed (apart from raising awareness and conducting training), interviewees underlined that trust is good, but control is better. While the respondents could not give examples of specific cases of when infected messages had been transmitted, they underlined that this does not mean that no infected messages have been transmitted, since the security architecture in place may not be adequate to identify them.

### 3.2.5 Standard e-Forms

Interviewees explained that the standard reporting forms (in the EU standard format) were introduced in the Netherlands already in 1993 and that the more recent development of electronic forms is more or less an evolution in the current activities. It was therefore assessed that the efficiency gains during Fiscalis 2013 were marginal, although small gains were noted.

On an overall level, interviewees explained that the increased information exchange resulting from cooperation with other Member States cannot be assessed to have reduced the administrative burden. Rather, the interviewees emphasised that it offers more possibilities and opens new perspectives in selection and analysis of audits. In

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<sup>128</sup> The interviewees pointed out that they received assistance from DG TAXUD and that it took around 3-4 months to clear the backlog.

<sup>129</sup> The frequency and risk of damage to physical equipment such as servers.

sum, e-Forms were seen as an important instrument to support audit, especially as auditing becomes electronic across Member States.

### 3.2.6 Joint actions

On the subject of joint actions, the e-audit forum under project group 27 was said to have reduced the administrative burden attached to e-auditing by supporting Member States in updating e-audit structures (in particular national e-auditing software) and bringing the structures closer together. Although no documentation of this development was available, it was emphasised that the feedback from Member States has been positive and that they report that they made use of the ideas obtained through the workshops and guidelines.<sup>130</sup>

According to one interviewee, the e-audit forum (project group 27) has contributed to reducing the administrative burden by increasing the administration's effectiveness and efficiency, through its contribution to the improvement of officials' skills and by making them both better and quicker at conducting audits:

- The network of software experts share their knowledge on auditing software (such as ASL and SESAM) which improves their ability to utilise the software;
- The network of software experts exchange advice on how to build scripts which improves their ability to utilise the software;
- The project group organises workshops for super users of certain software which reinforce their competences;
- The e-audit road map was updated during Fiscalis 2013 and helped disseminate guidelines, such as the 2012 guideline on electronic cash-register systems.

In relation to joint actions in areas of VAT other than e-auditing, interviewees assessed that workshops were easy to organise and very useful in increasing the participants' understanding of the implementation of legislation. In addition, joint actions have helped establish and increase contact between Member States, which led to quicker answers to questions and requests, as well as to the development of practical solutions. Although interviewees find it difficult to assess whether these factors have reduced administrative burden, they highlight that it definitely made their work easier.

### 3.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Value Added Tax

The case study found evidence indicating that Fiscalis 2013 has contributed to the Dutch administration's increased effectiveness in monitoring and controlling the flow of intra-EU trade through VIES and VIES-on-the-web and MLCs. Furthermore, the case study can confirm that this contributed to the fight against fraud. Firstly, the information contained in VIES provided the Dutch administration with indispensable information which helped combat tax fraud in the area of VAT. Secondly, the case study found that MLCs contributed to the prevention and reduction of fraud within the area of VAT as well as the recovery of tax.

In relation to the reduction of the administrative burden for the Dutch administration and economic operators, the case study found that Fiscalis 2013 contributed to a reduction of the administrative burden on economic operators through VAT Refund and VIES-on-the-web. Additionally, the e-auditing forum was found to have reduced the national

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<sup>130</sup> The guidelines are available in the 'E-audit Road Map'

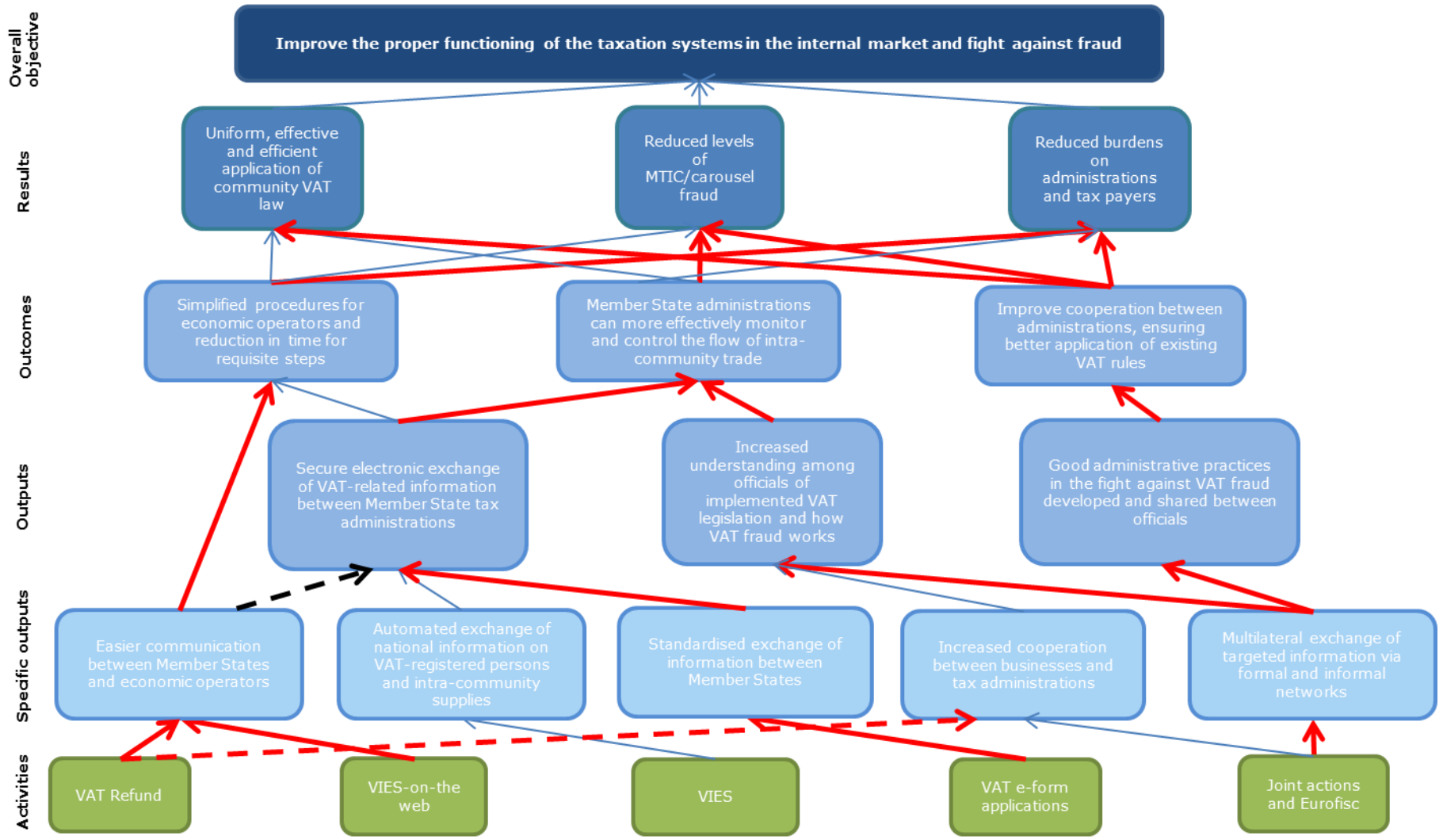
administration's burden in relation to audits. However, in relation to joint actions other than those related to auditing, interviewees found it difficult to assess whether the generated networks and increased contact to other Member States had indeed reduced administrative burden.

The case study did find that Fiscalis 2013 joint actions, specifically workshops and seminars have been a great help for the understanding and application of EU-law in the administration. Overall, Fiscalis 2013 offered the possibilities for the Netherlands to share knowledge, best practices and to strengthen working relations with other Member States.

These effects were strengthened by an internal driving factor, namely that the Dutch administration has a national Fiscalis Team. This team is organised around the National Fiscalis Coordinator and four supporting staff members, who were supported by 8 subject experts (e.g. the MLC coordinator). Moreover, the national Fiscalis Committee with its 12 members oversaw the Dutch participation in Fiscalis and provided input to relevant stakeholders, in particular ensuring sufficient input to and from management level in the administration. Finally, the national administration appointed 23 contact persons for Fiscalis 2013, who tax officials could also get in touch with if they needed advice or information. This administrative set-up was assessed to have contributed to the achievements of the programme in a Dutch context as it clearly designated the roles and responsibilities of officials in relation to the participation in Fiscalis 2013.

The case study also identified several factors, which may have hampered the programmes' achievements, namely the technical issues attached to running the VAT refund, and obstacles related to implementation of the new IT due to the current design of the process specification documents, which often neither highlight which specifications are national (versus EU level) nor which are new (as opposed to the existing specifications in relation to a system or a component).

The figure below illustrates which links in the intervention logic for the area of VAT have been verified by the case study.



The red arrows in the intervention logic above illustrate the links which were verified by the Dutch case study.

The black dash-arrow indicates that the VAT Refund system has not contributed to the secure exchange of information (a dashed-arrow signifies that this link was not expected in the intervention logic).

The red dash-arrow illustrates a new, verified link, namely that the VAT Refund system also contributed to increasing cooperation between the national administration and economic operators. The case study could not verify whether this increased the understanding of VAT related law.

As illustrated by the blue arrows in the intervention logic, a number of links could not be verified, and only one was rejected. The unverified links were mainly due to that evidence was deemed insufficient to draw conclusions on the links.

In sum, a majority of the expected links – from programme activity to result – have been verified within the area of VAT in the Netherlands. The case study findings have validated the Fiscalis 2013 intended theory of change (programme logic), i.e. the activities carried out with support from the programme have clearly contributed to the achievement of outcomes and expected results in the Netherlands. In particular, it can be concluded that VAT Refund, VIES-on-the-web, MLCs and the e-auditing forum have been of importance in the Netherlands.



## 4. Excise duties

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Excise as set out in the Evaluation, namely:

1. The increased effectiveness of Member State administrations' in monitoring and improved control of movements under duty suspension
2. Simplified procedures and faster discharge of the movements

The last section presents the overall assessment of Fiscalis 2013's contribution to the expected results in the Netherlands.

Additionally, emphasis is placed on the **central outputs**, i.e. fast, safe and secure exchange of real-time Excise-related information between Member States, including the electronic transmission of the e-AD and the collection of operational data concerning the movements of goods and system usage. In relation to the IT systems this section focuses on the EMCS, SEED and the electronic exchange of e-ADs.

### 4.1 Member State administrations can more effectively monitor flows and improve the control of movements under duty suspension

#### 4.1.1 Excise Movement and Control System (EMCS)

One interviewee assessed that the EMCS has helped reduce fraud by making it easier for officials to identify irregular movement. However, one notable factor was reported to have hampered the full effect of the EMCS – since the Dutch export system, Export Control System (ECS), is not integrated or connected to the EMCS, all movements which end outside the Netherlands have to be closed manually. The consequence is a longer processing time for those movements which results in delays between the movement actually ending and being registered as ended. In the context of Fiscalis 2013, this meant that EMCS potential in effectively controlling movements and simplifying procedures is not being exploited to its full extent. It was assessed that if the systems were connected, it would significantly enhance the EMCS' contribution to the improvement of the administration's ability to monitor and control movements.

At the same time, interviewees suggested that the technical implementation of the EMCS system was well organised and carried out effectively. This strengthened the overall positive effect of the EMCS as it was put to use quickly.

#### 4.1.2 System for Exchange of Excise Data (SEED)

The interviewees were not able to provide any insights into the effect of SEED on the Dutch administration's ability to monitor trade flows or control movements under duty suspension.

#### 4.1.3 Multilateral Controls in the area of Excise (MLCs)

According to one interviewee the MLCs were particularly focused on Excise duties on alcohol (although this focus was not exclusive, as MLCs concerning cigarettes and mineral oils also took place). The interviewee pointed out that the focus areas of MLCs were likely to gradually change because economic operators would react to the increased attention to certain activities. The interviewee explained that when specific fraudulent practices were exposed by MLCs, economic operators would stop using these practices. Therefore, successful MLCs will eventually rendered themselves superfluous at least within certain areas and for a certain period of time, as fraudulent economic operators change their modus operandi or even stop their fraudulent practices.

Within the area of Excise, the interviewees pointed out that MLCs have produced a number of results, namely:

- Recuperating tax payments due;
- Preventing fraud;
- Reprising fraud.

In relation to the characteristics of MLCs within the area of Excise, they were assessed as compact and quick, which is essential if officials are to seize the goods before they leave the Member State. Therefore, meetings are organised quickly and an action is uploaded in ART requiring a quick confirmation. In this regard, ART facilitates the quickly proposition of an MLC and contributes to ensuring that it is rapidly approved. Besides this, the MLCs on Excise duties share many characteristics with the MLCs within the area of VAT, including that multilateral MLC take longer than one year, whilst bilateral MLCs take on average 3-4 months, and that the MLC coordinator network creates trust and willingness to work quickly and accurately for each other.

In relation to the fact that the length of MLCs vary, Fiscalis 2013 has provided flexibility which allowed adequate time for completing the MLCs. The programme also provided important support in ensuring 1) that MLC can be initiated quickly, and 2) that Member States have fostered a network of MLC coordinators. In combination, these factors contributed to a more effective mobilisation of MLCs which identified and documented fraud as well as recuperated tax due, and prevented and repressed fraud.

As mention previously, interviewees assess that the effects of MLCs have been positively influenced by the MLC coordination team in place in the Netherlands.<sup>131</sup>

## **4.2 Simplified procedures and faster discharge of the movement**

### **4.2.1 Excise Movement and Control System (EMCS)**

One interviewee stressed that the feedback on the EMCS and SEED-on-Europa from economic operators has been very positive. In particular, economic operators have underlined that the systems have made it quicker and easier for them to comply with the existing requirements, for example by decreasing the time within which a movement can be closed online. As a result, the economic operator does not have to appear in person at the national administration to receive a stamp confirming the conclusion. The interviewee emphasised that this has reduced the burden on the administration too as they no longer have to provide economic operators with this stamp, which reduced the need for human resources and the time needed for the procedure.

However, before the EMCS was put in place, economic operators were under the obligation to report back to the national administration when certain movements were not closed on time. With the introduction of the EMCS, the national administration has now to follow up with economic operators when they notice that movements have not been finalised. This has made the process more time consuming, but not cancelled out the benefits of EMCS as previously mentioned.

Finally, according to one interviewee, the electronic exchange of the e-ADs has made it easier and quicker for economic operators to discharge movements compared to the situation 5-6 years ago, as a report of receipt is now submitted electronically for validation to the administration from the administration in the Member State of the consignee. Additionally, the e-Ads also made it easier for national administrations to monitor the movements, because economic operators discharge the movements quicker. On a general level, this meant that movements were on-going for a reduced period of time, which overall led to a reduction in the number of open movements and thus to an overall lower risk. In turn, the lower number of open movements reduced

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<sup>131</sup> This team covers MLCs across all tax areas

the necessary time spent on monitoring and risk analysis. Regrettably, the interviewee could not present any documentation or estimates of an estimated reduction in the human resources needed.

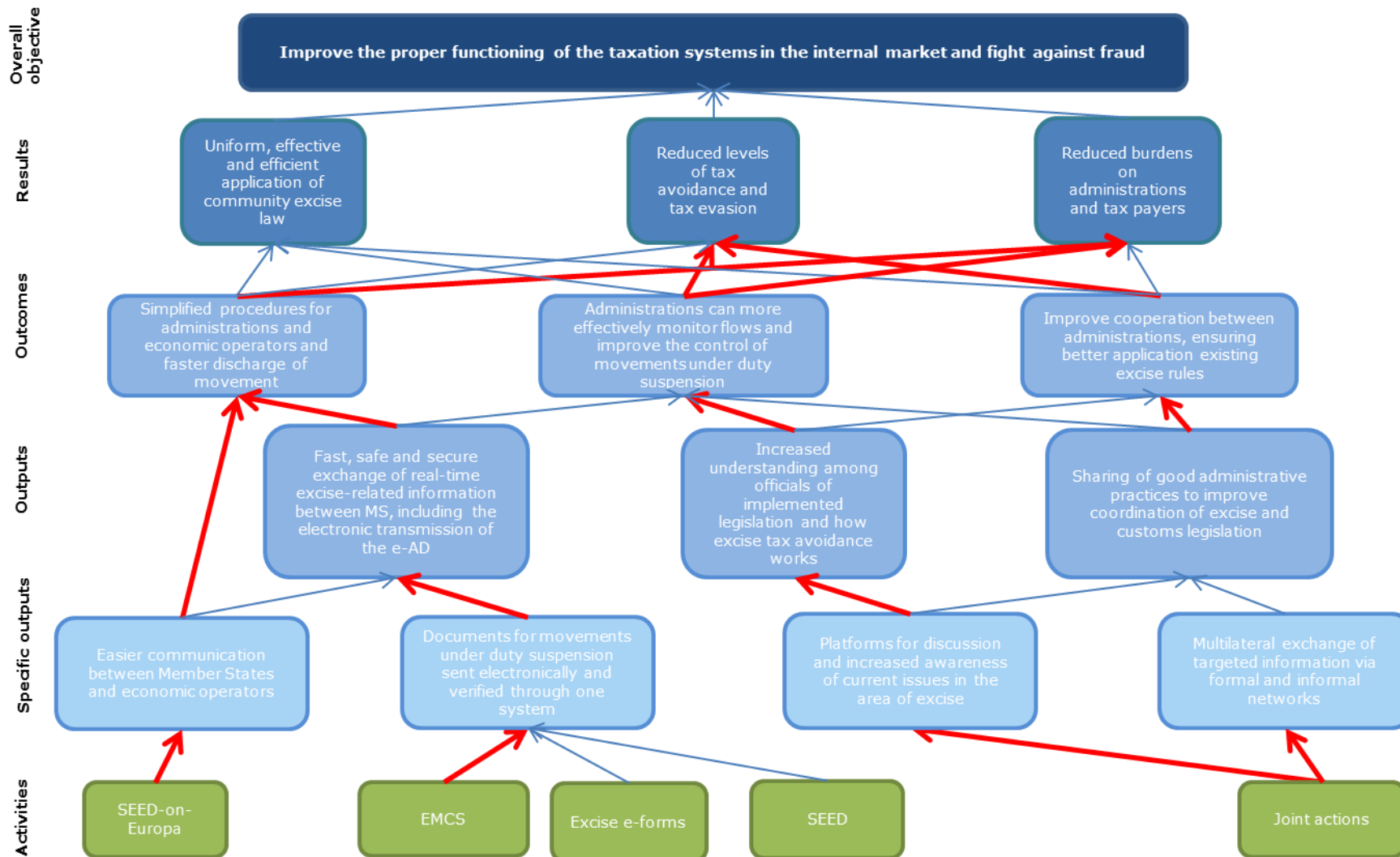
#### **4.2.2 System for Exchange of Excise Data (SEED)**

The interviewees could not provide much information on whether the use of SEED-on-Europa has affected the national administrations burden, for example by enabling economic operators to use the system to introduce movements. In general, they found it difficult to assess whether the SEED-on-Europa has contributed to a reduced administrative burden for economic operators. One interviewee pointed out that one consequence of the new IT systems (the combination of SEED and EMCS) was that when the product group code is wrong then the movement cannot be allowed, which created delays and difficulty for legitimate movements. At the same time, the fact that it was no longer possible for fraud perpetrators to deliberately use wrong product codes when dispatching fraudulent movements, may have reduced fraud as it became more difficult to dispatch the movements in the first place. However, the interviewee explains that it was only an occasional occurrence, and that it was difficult to assess its impact.

#### **4.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Excise Duties**

The case study found that Fiscalis 2013 contributed to two results, namely, a reduction in the levels of fraud and a reduced burden on tax payers (please note that the study found no evidence suggesting that the burden for the administration had been reduced).

The figure below illustrates which links in the intervention logic for the area of excise have been verified by the case study.



The red arrows in the intervention logic above illustrate the links which were verified by the Dutch case study. The case study found these links were strengthened by the national organisation of Fiscalis 2013 (as mentioned in the overall assessment for the area of VAT).

As illustrated by the blue arrows in the intervention logic, a number of links could not be verified. In particular, the case study did not find that Fiscalis 2013 contributed to improving the application of the EU law. However, the case study did not provide any evidence that these links have indeed not been achieved (i.e. it is assessed that the EU Excise law is effectively and efficiently implemented in the Netherlands).

## 5. Direct Taxation

This section is structured around **the main outcomes** of Fiscalis 2013 within the area of Direct Taxation as set out in the Evaluation, namely:

1. Secure efficient, effective and extensive information exchange and administrative cooperation
2. Improve cooperation between administrations ensuring better application of existing rules.

The last section presents the overall assessment of Fiscalis 2013 contribution to expected results in Direct Taxation in the Netherlands.

Additionally, emphasis is placed on the **central output**, i.e. the closed and secure IT network allowing fast, safe and secure exchange of information between Member State administrations. In relation to the IT systems, the section mainly concerns the use of e-Forms and to a lesser extent TIN-on-the-web.

### 5.1 Secure efficient, effective and extensive information exchange and administrative cooperation

One interviewee confirmed that the information exchanged automatically on interest paid on savings has allowed tax officials to calculate tax liabilities more effectively. In particular, it was emphasised that the provided data was very useful for the pre-filled income tax return, and for further use in national project groups, where this information was used for risk analysis ensuring that citizens pay all taxes due on their income from savings. However, the interviewee stressed that the positive contribution of the automatically exchanged information on interest paid on savings relied on the condition that the information provided was both timely and correct, which luckily, in their opinion, was usually the case.

#### 5.1.1 Standard e-Forms

According to interviewees, e-Forms have neither contributed to a faster nor a more efficient exchange of information. In relation to the usefulness of the forms for outgoing requests, it was pointed out that in most cases the Dutch requests to other Member States were much more specific and that therefore the standard e-Forms are hardly used as the forms do not contain the relevant information boxes. In extension of this point, it was highlighted that for complex cases the form is difficult to read. Additionally, interviewees pointed out that the Dutch administration had a good Word template in place, which was easier to complete for the officials.

Concerning incoming requests, it was pointed out that e-Forms have not resulted in qualitatively better requests from other Member States. In addition, the interviewees explained that all the boxes were very often ticked, despite the fact that these boxes were not actually all relevant for the specific case. The interviewees stressed that it was crucial to distinguish between “nice to know” or “need to know”, and that Member States should only tick boxes when they “need to know”. Moreover, when answering a

request, e-Forms were considered difficult to read and often unclear for the official handling the request.

In summary, the application of e-Forms did not lead to a reduction of the processing times or to an improvement in the quality of replies.

### **5.1.2 Tax Identification Numbers (TIN)**

Within the area of Direct Taxation, the TIN was hardly used, as the automatic exchange of information on the number of registered tax payers in the Netherlands was already very high in the Netherlands. The Dutch registration number is a legal obligation and thus widely used. Interviewees could not point to instances where the TINs from other Member States had been useful. As such, TIN has therefore not contributed to secure an efficient, effective and extensive information exchange and administrative cooperation between Member States, because it has not provided added value in the Dutch context.

## **5.2 Improve cooperation between administrations ensuring better application of existing rules**

### **5.2.1 Joint actions**

Interviewees assessed that joint actions did not contribute to the increased understanding of EU legislation. As an example, interviewees pointed out that legislation prescribed compulsory statistical reports, but the joint actions have not been used to increase the understanding of why this information was important and how it would be used. Additionally, while the Commission occasionally offered interpretation of legislation, this was said to often lack the sought-for justification, which would have helped Member States to better understand the requirements or the purpose of such requirements, and thus prepare more targeted and more useful reports.

One interviewee assessed that the seminars were not helpful in increasing the understanding of legislation in the area of Direct Taxation, as the Member States did not have enough common ground within the tax area (the area of Direct Taxation still remains the sole responsibility of Member States). With regards to this, the interviewees could not think of any examples, where seminars had helped them improve their understanding of any EU legislation on Direct Taxation, which should be common for every Member State.

However, seminars did provide Member States' administrations with knowledge on the possibilities and constraints in exchanging information. This knowledge helped increase understanding of the practical problems attached to the exchange of information which can support the understanding of the implementation of legislation. In addition, interviewees assessed that joint actions have provided the Dutch administration with the opportunity to learn how the processes and procedures related to Direct Taxation were implemented and enforced in other Member States. This has occasionally given the Dutch administration ideas on how their own procedures and working methods could be adjusted, e.g. as it was the case with the introduction of the SD 12 card,<sup>132</sup> which was discovered during a working visit in Sweden and helped make it easier to identify cross-border workers. The purpose of this card was to reduce fraud in wages of cross-border workers employed within the transportation and construction sector. The

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<sup>132</sup> The SD 12 card allows officials to control that cross-border workers are complying with Dutch employment and tax legislation by containing information on their registration in the Netherlands. Specifically, workers carry these cards when working and auditors can then swipe the card on site to easily obtain the necessary employment related data.

interviewees highlighted such exchanges of best practices, ideas, or procedures increased the mutual understanding between Member States and were the most important results of the joint actions.

### **5.2.2 Multilateral Controls in the area of Direct Taxation (MLCs)**

According to one interviewee, the main reasons for starting MLCs in the area of Direct Taxations were transfer pricing problems and fraud related to cross-border workers. However, the interviewee pointed out that the different areas of interest were likely to change as the companies would react to the increased attention from MLCs. The interviewee explained that when specific fraudulent practices were exposed by MLCs, economic operators would stop using these practices.

Similarly to MLCs in the areas of VAT and Excise, the MLCs within the area of Direct Taxation often take longer than one year if they are multilateral and on average between 3-4 months if they are bilateral. In relation to the fact that the length of MLCs vary, Fiscalis 2013 has provided flexibility which allowed adequate time for completing the MLCs. They do however have a different rhythm, because it takes time to set up negotiations between Member States and the economic operator. In MLCs in the area of Direct Taxation all parties have time to plan ahead, schedule meetings and prepare negotiations, because the fraudulent practices do not occur during a momentary movement or transactions (as it is the case for VAT or Excise).

The interviewees pointed out that Fiscalis 2013 MLCs have ensured a better application of existing rules by improving the cooperation between Member States. Within the area of Direct Taxation, this produced a number of results, namely:

- Recuperating tax payments due
- Preventing fraud
- Repressing fraud

### **5.3 Overall assessment of the contribution of Fiscalis 2013 in the field of Direct Taxation**

Overall, the case study found that the Dutch administration has mostly benefitted from the information exchanged automatically on interest paid on savings - which contributed to a secure, effective and efficient information exchange, and MLCs, which improved cooperation between administrations, and ultimately ensuring the better application of existing rules.

The information exchanged automatically on interest paid on savings has allowed tax officials to calculate tax liabilities more effectively, because the information helped the national administration assess the pre-filled income tax return, and was used in national project groups, where this information informed risk analysis. However, the automatically exchanged information on interest paid on savings had to be provided in a timely and correct manner for the information to be useful.

Within the area of Direct Taxation, the most notable contribution of Fiscalis 2013 has been MLCs, which were found to have led to sharing of information via formal and informal networks and the sharing of good administrative practices. The case study found that this led to improved cooperation between administrations, which ultimately ensured better application of existing rules and allowed the Dutch administration to more effectively assess the correct tax liability. Ultimately, MLCs contributed to reducing levels of tax avoidance and tax evasion as well as the recuperation of tax payments due.

The case study found that the effects of MLCs have been positively influenced by the MLC coordination team in place in the Netherlands.<sup>133</sup> Additionally, the case study indicated that when an MLC delivered a good result, the MLC coordinators' interest in MLCs rose and reinforced their participation in MLCs. As a result the MLC coordinators network became stronger and participation became more frequent. According to the Dutch interviewees, "MLCs pay for themselves", because MLCs (across all tax areas) have delivered tangible economic results in the form of recuperation of taxes due and, although difficult to monetise, prevented further fraud (by the specific economic operator) and thereby contributed to avoiding an economic loss.

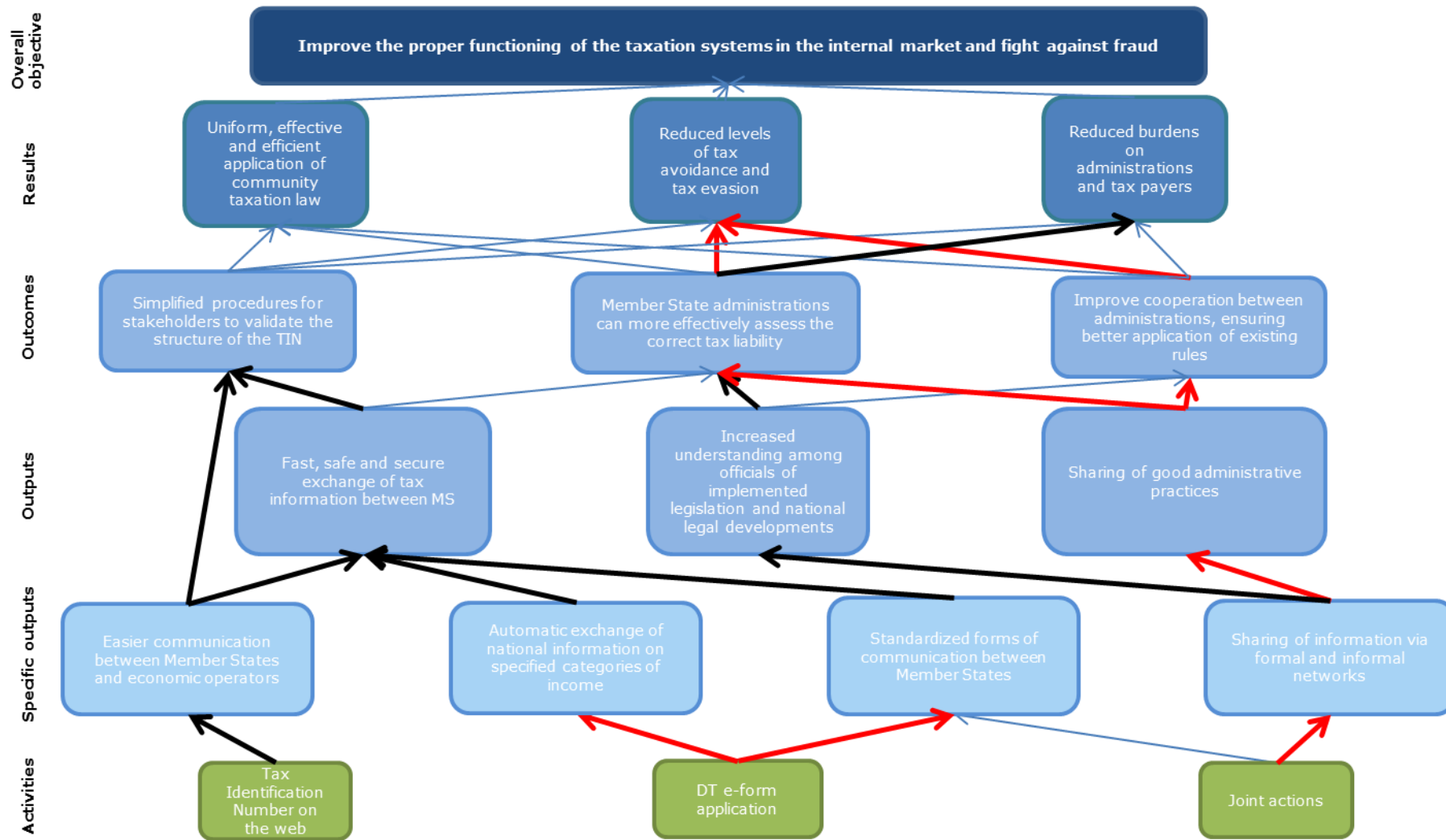
The case study could not identify that the improved administrative corporation between Member States has led to tangible results in reducing the administrative burden for the administration or the tax payers.

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<sup>133</sup> This team covers MLCs across all tax areas



The figure below illustrates which links in the intervention logic for the area of Excise have been verified by the case study.



The red arrows illustrate the links verified by the case study. The case study found these links were strengthened by the national organisation (as mentioned in the overall assessment for the area of VAT) of Fiscalis 2013.

The black arrows illustrate that these links were not present in the Netherlands during Fiscalis 2013. These arrows show that the case study did find that e-Forms had not contributed to reducing the administrative burden. Additionally, the study also found that TIN did not deliver results in the Netherlands because a Dutch system was already in place. Importantly, the case study found that although cooperation between Member States in the area of Direct Taxation was improving, one overall contextual factor significantly contributes to rejecting the delivery of the outcome “Simplified procedures for stakeholders to validate the structure of the TIN” and of the result reduced burden on administrations and tax payers”, namely that cooperation was hindered by the lack of common ground in legislation amongst Member States in the area of Direct Taxation. In other words, the case study found that the programme was ineffective in delivering that outcome and result.

Finally, besides the links which were verified or rejected, the blue links in the above intervention logic several of the links remains unverified, since the case study could not validate these links in the Netherlands. At the same time, the case study did not provide evidence that these links are not present; while the case study can confirm that evidence is lacking, this does not reject the presence of the links altogether.

## LIST OF INTERVIEWS

**Table 5 List of interviews**

Tax Area	Responsibilities
Cross-cutting	National Fiscalis Coordinator
Cross-cutting	MLC coordinator
Direct Taxation	Head of CLO
VAT	Central Liaison Office (CLO) for VAT
Cross-cutting	IT
Cross-cutting	IT
Cross-cutting	IT
VAT	E-audit coordinator
Excise	Participant in Working Visit
Cross-cutting	Anti-fraud (Forensic IT)
VAT	Participant in Working Visit

## Annex 4. Evaluation Matrix

**Table 1 Evaluation Matrix**

Evaluation Question ToR	Operationalisation of Evaluation Question	Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
<b>EQ1. To what extent and how has the creation of a pan-European electronic tax environment through the development of interoperable communication and information exchange systems, helped the tax authorities to:</b>  a) <b>better protect the Union's and Member States' financial interests...</b> b) <b>... while decreasing the administrative burden on taxable persons...</b> c) <b>... and avoiding distortions of competition;</b> d) <b>Implement the EU tax law in an effective, efficient and uniform fashion?</b>	<b>Q1.1</b> What have been the activities and outputs of Fiscalis 2013 in terms of interoperable communication and information exchange systems? (Specific focus on IT systems related to VAT, EXCISE and DIRECT TAXATION).	<ul style="list-style-type: none"> <li>o Budgetary allocations supporting IT systems</li> <li>o Volume and type of information exchanged through IT systems</li> <li>o EMCS survey and report</li> <li>o Other reports from the IT monitoring systems (e.g. project group on evaluation of IT systems)</li> </ul>	Amount allocated to each system  Usage of IT systems: - no. VIES messages exchanged - volume of VAT refund requests - no. CCN mail messages by tax area - no. of service desk calls		IT financial data  Programme budget data  IT monitoring data  TAXUD R3/R4 reports  Annual Work Programmes	Descriptive
	<b>Q1.2</b> To what extent have the IT systems helped the tax authorities to identify potential risk of tax avoidance and evasion?	<ul style="list-style-type: none"> <li>- Assessment by tax officials of the:</li> <li>o Usefulness of the data provided by the IT systems to perform risk analysis</li> <li>o Timeliness of the data provided by the IT systems</li> <li>o Quality of the data provided by the IT systems</li> <li>- Commission data on response times and availability of IT systems</li> <li>- Examples of national tools which utilise the data from the IT systems (e.g. UK risk analysis tool – excise)</li> </ul>	Information exchanged within expected time limits  Information exchanged is accurate and complete	Survey Q. 25, 28, 30  Interviews key stakeholders  Case studies  Questionnaire Q.9, Q.10, Q.11, Q.12.	IT monitoring data on response times and system availability.	Causal - CA

Evaluation Question ToR	Operationalisation of Evaluation Question	Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
	<b>Q1.3</b> How have the IT systems helped Member States to cooperate effectively and thus better apply community taxation law?	- Assessment by the tax officials of the extent to which the different activities have contributed to improving: <ul style="list-style-type: none"> <li>o targeted information exchange between competent authorities in relevant tax areas (VAT, Excise and direct taxation)</li> <li>o the formulation and reception of requests for information exchange.</li> <li>o the application of the rules in the area of VAT, Excise and Direct taxation</li> </ul>	Positive/negative assessment by tax officials	Survey Q. 25, 28, 30, 31  Interviews key stakeholders  Case studies  Questionnaire Q.11, Q.12.	MARKT scoreboard on transposition of Direct/Indirect tax law.	Explanatory CA
	<b>Q1.4.</b> How have the IT systems contributed to improved revenue collection?	- Assessment by the tax officials of the extent to which the different activities have contributed to improving revenue collection	Evidence of contribution to the correct assessment of tax liability	Survey Q. 28, 30  Interviews key stakeholders  Case studies  Questionnaire Q.11, Q.12.		Explanatory CA
	<b>Q1.5.</b> How have the IT systems helped Member States to implement community rules efficiently?	- Assessment by the tax officials of the extent to which the different activities have contributed to: <ul style="list-style-type: none"> <li>o Freeing up national resources.</li> <li>o Performing tasks more quickly</li> </ul> <p>- Existing national cost-benefit studies (in particular in Excise)</p>	Evidence of Increase/decrease of resources/effort required	Survey Q.25, 28, 30, 31  Interviews key stakeholders  Case studies  Questionnaire Q.11, Q.12.	Existing national studies/evidence  EMCS survey	Explanatory CA

Evaluation Question ToR	Operationalisation of Evaluation Question	Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
	<b>Q1.6.</b> To what extent are the systems used by tax authority officials in Member State administrations? How could usage be improved if necessary?	<ul style="list-style-type: none"> <li>- Assessment by the tax officials of the functionality of the IT systems.</li> <li>- Assessment by the tax officials of the usefulness of the IT systems</li> </ul>	Positive/negative assessment by tax officials	Survey Q.28, 30 Interviews key stakeholders Case studies		Descriptive Explanatory CA
	<b>Q1.7.</b> How have the IT systems helped to decrease administrative burden for economic operators/ national administrations?	<ul style="list-style-type: none"> <li>- Assessment by the tax officials of the extent to which the IT systems have helped to:               <ul style="list-style-type: none"> <li>o Simplify procedures for administrations.</li> <li>o Simplify procedures for economic operators.</li> <li>o Reduce the time needed to access necessary information</li> </ul> </li> <li>- Existing national cost-benefit studies (e.g. UK)</li> </ul>	Evidence of Increase/decrease of resources/effort required	Interviews key Stakeholders Survey Q.28,30,31 Case studies EMCS survey Questionnaire Q.11, Q.12.	Existing national studies/evidence	Causal CA
	<b>Q1.8</b> Could there be or are there any alternatives (national or international, bilateral or multilateral) from acting at the EU-level in order to achieve similar outcomes? What are they?	<ul style="list-style-type: none"> <li>- Assessment by key stakeholders on whether alternatives exists.</li> <li>- Assessment by key stakeholders on whether alternative means could be equally or more effective</li> </ul>	Alternatives identified	Interviews key stakeholders Case studies		Exploratory CA
	<b>Q1.9</b> To what extent has support by joint actions been important for the development and functioning of the IT systems?	<ul style="list-style-type: none"> <li>- Number of joint actions directly related to the development and functioning of the IT systems.</li> <li>- Reported outputs of joint actions.</li> <li>- Assessment by tax authorities/officials of importance of joint actions in this respect</li> </ul>	Clear contribution of joint actions to objectives of IT systems	Interviews key stakeholders Case studies Questionnaire Q.11, Q.12.	IT monitoring data Follow up action reports for activities.	Causal CA
<b>EQ2. Were there any unexpected and/or unintended results and impacts generated by the programme's activities, what were their triggering factors and the extent to which they hampered and/or helped the programme's functioning</b>	<b>Q2.1</b> Can any unexpected or unintended results be identified?	<ul style="list-style-type: none"> <li>- Evidence of unexpected/unintended results (in particular of IT systems)</li> </ul>	Positive and negative unexpected results	Interviews key stakeholders Case studies Questionnaire Q.1, Q.2, Q.3		Exploratory CA
	<b>Q2.2</b> What mechanisms led to the unintended results?	<ul style="list-style-type: none"> <li>- Assessment by tax officials/TAXUD on reasons for unexpected results</li> <li>- Dissemination of knowledge and</li> </ul>	Mechanisms identified	Interviews key stakeholders Case studies		Exploratory CA

Evaluation Question ToR	Operationalisation of Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus	
and the achievement of its objectives		action (EQ3)	Questionnaire Q.1, Q.2, Q.3			
	<b>Q2.3</b> Have the unexpected or unintended results contributed or hindered the programme achievements?	- Assessment by tax officials/TAXUD of influence of unexpected/unintended on the results and programme's achievements - Dissemination of knowledge and action (EQ3)	Adverse/beneficial effects identified	Interviews key stakeholders Case studies Questionnaire Q.1, Q.2, Q.3		Causal CA
	<b>Q2.4</b> Are there any contextual factors which have contributed or hindered the programme's achievements?	- Assessment by tax officials/TAXUD of influence of contextual factors on the programme's achievements - Dissemination of knowledge and action (EQ3)	Contextual factors identified	Interviews key stakeholders Case studies Questionnaire Q.1, Q.2, Q.3	Desk research (Economic crisis, EU anti-fraud strategy)	Causal CA
<b>EQ3. To what extent and how the strategies/approaches endorsed by the programme's stakeholders with regard to the dissemination of awareness, knowledge and action (implementation), have weighed on the achievement of the programme's objectives?</b>	<b>Q3.1</b> What activities have been undertaken to raise awareness of the Programme's objectives and activities within national tax authorities?	- Extent of awareness and knowledge raising activities - Extent of dissemination within national authorities	Existence of activities aiming to raise awareness	Survey Q.4-6 Interviews with key stakeholders Case studies	Awareness poll 2008,2011	Descriptive
	<b>Q3.2</b> To what extent has awareness of the programme contributed to increased levels of cooperation with other tax administrations?	Assessment by national tax authorities on linkage between programme awareness and cooperation	Evidence of increased cooperation	Interviews key stakeholders		Causal CA
	<b>Q3.3</b> Has knowledge gained through Fiscalis 2013 activities been shared within the national administration? How has this been done?	- Extent of knowledge sharing in national administration - Methods of knowledge management	Number of officials who have shared knowledge. Methods described.	Survey Q.7-14 Interviews key stakeholders Case studies		Descriptive
	<b>Q3.4</b> Has the knowledge gained through Fiscalis 2013 activities been used? Why (not)?	- Assessment by national officials on use of knowledge.	Positive/negative assessment by tax officials	Survey Q.15 Interviews key stakeholders Case studies		Exploratory CA

Evaluation Question ToR	Operationalisation of Evaluation Question	Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
	<b>Q3.5</b> Are outputs of seminars/workshops/ project groups etc. shared in a systematic way within the national administration?	- Assessment by national officials on changes implemented as a result of Fiscalis 2013.	Evidence of follow up	Survey Q.26 Interviews key stakeholders Case studies		Descriptive
	<b>Q3.6</b> To what extent did Fiscalis 2013 activities lead to changes within the administration (institutional, procedural, behavioural etc.)?	- Assessment by national officials on changes implemented as a result of Fiscalis 2013.	Changes described	Interviews key stakeholders Case studies		Causal CA
<b>EQ4. To what extent have the programme's resources produced best possible results at the lowest possible costs (best value for money)? Could the use of resources be improved?</b>	<b>Q4.1</b> What have been the costs of the activities of Fiscalis 2013?	- Budget committed/spent per objectives and type of activities (in EUR and % of total budget) - Input/output ratios	Cost ratios assessed reasonable taking into account potential gains/time saving		ART and ABAC financial data IT statistics on usage	Descriptive
	<b>Q4.2</b> Are the costs justified in terms of the outputs and their contribution to achieving the programme's objective?	- Estimated time/resources saved by the IT systems - Existing national cost-benefit studies (in particular in Excise, e.g. UK)	Time/resources equivalent procedure would take	Interviews key stakeholders Case studies Questionnaire Q.7.		Normative CA
	<b>Q4.3</b> Were potential synergies and savings between Fiscalis 2013 and Customs programmes exploited?	- List of activities/systems with co-funding/distribution of costs between the programmes - Degree of coordination between the programmes	Relevant synergies and savings have been exploited	Interviews key stakeholders Case studies Questionnaire Q.7.	ART and ABAC monitoring data	Exploratory CA
	<b>Q4.4</b> Are there areas where the use of resources could be improved?	- Assessment by key stakeholders on the use of resources in the programme	National authorities assess the use of resources to be adequate	Interviews key stakeholders Survey Case studies Questionnaire Q.7.		Exploratory CA
	<b>Q4.5</b> To what extent are online collaboration tools used?	- Evidence of activity on online collaboration tools	National authorities assess the use of resources on online collaboration tools	Survey Q.21-24 Case studies Questionnaire	Registration on PICS	Descriptive

Evaluation Question ToR	Operationalisation of Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
			Q.7.		
<b>EQ5. What is the European Added Value of the Fiscalis 2013 Programme?</b> <sup>134</sup>	<b>Q5.1</b> Could the same or better results have been achieved in national/bilateral initiatives?	See Q.1.6.	The programme has specific uses/is complimentary/there are no available programme substitutes	Interviews key stakeholders Case studies Questionnaire Q.7, Q.13, Q.14.	Desk research (OECD and IOTA initiatives and/or reports) Normative CA
	<b>Q5.2</b> Has the programme complemented other national or international initiatives, thereby increasing overall effects and impact?	Evidence provided by key stakeholder on complementing initiatives with other international or national initiatives	Evidence of complementing initiatives	Interviews key stakeholders Case studies Questionnaire Q.13, Q.14.	Desk research (OECD and IOTA initiatives and/or reports) Causal CA
	<b>Q5.3</b> What is the contribution of Fiscalis 2013 to the functioning of the internal market?	Linkage between achievements of Fiscalis 2013 and increased coherence between policy initiatives through administrative cooperation (Q.1.3), increased tax revenues (Q.1.4), Mutual Assistance as well as other relevant overall policy	Evidence of Fiscalis 2013 contribution to increased coherence in the internal market objectives	Interviews key stakeholders Case studies Survey Q.25	Desk research (EC initiatives and priorities in the field of taxation, European Semester, etc.) Causal CA

<sup>134</sup> Specification of Added Value from ToR: What are the additional gains stemming from acting at the EU-level as compared to a national initiative, a multilateral or even another international initiative, in terms of:

- (1) complementarity of the programme to these initiatives;
- (2) the overall contribution of the programme towards its objectives, which are embedded in the broader tax objectives and shared with other initiatives;
- (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;
- (4) reduction of duplication and overlaps; synergy of efforts); seen from another perspective, the cost of 'non-Europe';
- (5) 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;
- (6) sustainability of results/impacts if the programme was to discontinue.



Evaluation Question ToR	Operationalisation of Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
	objectives of the EU (simplification, harmonisation etc.)		Questionnaire Q.1.		
<b>Q5.4</b> Is it likely that the results achieved by Fiscalis 2013 could have been achieved at a lower or equal cost by other means (national/bilateral cooperation)?	See Q.4.2 and 4.4	Evidence of potential savings/ National authorities assess the use of resources	Interviews key stakeholders Case studies Questionnaire Q.7.	Desk research (some of the OECD initiatives and/or reports?)	Normative CA
<b>Q5.6</b> Is it likely that a higher or equal reduction of administrative burden could have been achieved without Fiscalis 2013?	See Q.1.7. and Q.1.8.	Assessments by key stakeholders	Interviews key stakeholders Case studies Questionnaire Q.13, Q.14.	Survey (to establish to what extent the administrative burden has been reduced)	Normative CA
<b>Q5.7</b> To what extent and how have the human networks created by the Fiscalis 2013 programme contributed to a common administrative culture among tax officials in Europe?	<i>Numbers of exchanges of standard forms, joint approaches/number of participants, estimates of joint monitoring, common activities focusing on practical issues and assessment of the successful exchange of practices</i>	Evidence of increased harmonisation practices	of Case studies of Interviews key stakeholders Survey Q.8, 16-20, 25 Questionnaire Q.13, Q.14.	Sample of action-follow-up forms Increase in spontaneous and specific exchanges	Causal CA
<b>Q5.8</b> To what extent would the results and impacts achieved in the programme remain, if the programme was to discontinue?	Assessment by key stakeholders on sustainability of results and impacts	Key stakeholders assess overall results and impacts sustainable	Case studies Interviews key stakeholders Questionnaire Q.13, Q.14.		Normative CA
<b>Q5.9</b> To what extent specific outputs such as the IT systems (VIES, EMCS and CCN) would be maintained and developed and by who, if Fiscalis 2013 did not exist?	Assessment by key stakeholders on sustainability of results and impacts	N/A-explorative	Case studies Interviews key stakeholders Questionnaire Q.13, Q.14.	-	Exploratory CA

Annex 4. Evaluation matrix

Evaluation Question ToR	Operationalisation of Evaluation Question	Indicators/Descriptor	Judgement criteria	Primary data sources	Secondary data sources	Analytical focus
	<p><b>Q5.10</b> What would be the consequences of no longer funding Fiscalis 2013?</p>	<p>Assessment by key stakeholders on consequences</p>	<p>N/A – explorative</p>	<p>Case studies</p> <p>Interviews key stakeholders</p> <p>Survey Q. 28, 31</p> <p>Questionnaire Q.13, Q.14.</p>	<p>-</p>	<p>Exploratory CA</p>

## Annex 5. Intervention logics for tax areas

### Intervention logics for tax areas and for the electronic exchange of information

Reconstructed intervention logics have been developed for the infrastructure that enables the electronic exchange of information between Member States, as well as for the IT systems and joint actions in the three relevant tax areas: VAT, Excise and Direct taxation. The IT systems that have been selected represent the most important tools in each tax area, in terms of estimated impacts on programme objectives (based on explorative interviews with the Commission).

The illustrations below show the intended relations between activities, outputs and results. The reconstruction is based on official descriptions of the activities, legislation, the specific programme objectives set out in the annual work programmes 2008-13, as well as explorative interviews with DG TAXUD officials.

The illustrations below include two additional layers in order to better describe the relation between the activities and the results. The *specific outputs* stem from the activities and enable the *outputs*, which correspond to the objectives of the Fiscalis 2013 programme as set out in Decision No 1482/2007/EC, and described in the introduction. However it is then necessary to describe additional *outcomes* to understand how Fiscalis 2013 then enables results to be delivered, such as reduced levels of tax evasion and tax avoidance.

The intervention logic is simplified, i.e. only the strongest **intended connections**, as identified by means of primarily the Decision and in addition the other data mentioned earlier, are included. This does not exclude the possibility of other connections existing or emerging, which will then be explored in the evaluation (alternative explanatory factors).

### Electronic exchange of information between Member States

The electronic exchange of information is at the heart of the IT systems supported by Fiscalis 2013 and is an important tool for administrative cooperation within all the relevant tax areas. The Common Communication Network is a closed and secure Trans-European IT network that allows the secure exchange of electronic information between Member State administrations, and according to the Commission, is one of the largest items of expenditure within the IT systems budget.

This harmonised approach and common specification allows Member States to connect to the network and exchange information securely. The Commission cannot access the content of the messages exchanged between Member State administrations. Approximately 60 of TAXUD's trans-European IT systems currently operate using this single infrastructure<sup>135</sup>, including VIES and EMCS, as well as many of the IT tools which enable communication between Member States, including CCN Mail, VAT Refund and e-form applications.

The Commission (assisted by external contractors) runs the CCN network entirely for Member States and provides operational support for the Common domain. Costs of the Common domain are split between taxation and customs. According to the Commission customs covers approximately 60-65% of the CCN costs, depending on the year.

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<sup>135</sup> TAXUD Information Technology Master Plan 2013, Template version 1.8, 11/10/2012, p. 17.

Member States are responsible for setting up and for financing the National domain, the software, hardware and connections that are required for them to access the CCN. The CCN technical centre and service desk helps Member States implement and manage the connection to CCN/CSI, including conformance testing tools for the various national applications.

This network and the various IT tools supported by Fiscalis 2013 are designed to make possible the exchange of information that is an essential part of the administrative cooperation requirements. The '*automatic exchange*' of information relates to the systematic communication of predefined information at pre-established regular intervals, without prior request. Additionally, Member States can engage in '*spontaneous exchange*', meaning that a Member State can forward information that it considers important to another Member State at any moment. It is recognised that the above types of information exchange are the most effective way of enabling the correct assessment of tax liability and of fighting fraud.<sup>136</sup> Finally, Member States can initiate a '*request for information*' from another Member State who must then reply within pre-defined time limits<sup>137</sup>.

Standardized *e-forms* have also been developed in all three of the tax areas, and are particularly used for mutual assistance and recovery. E-forms help to ease the process of requesting and receiving information between Member State administrations.

Fiscalis 2013 *joint actions* such as project groups and workshops have also been used to bring together Member States, the Commission and business help the development and implementation of the IT systems.

The below diagram illustrates how the systems in place to facilitate the electronic exchange of information are expected to work<sup>138</sup>:

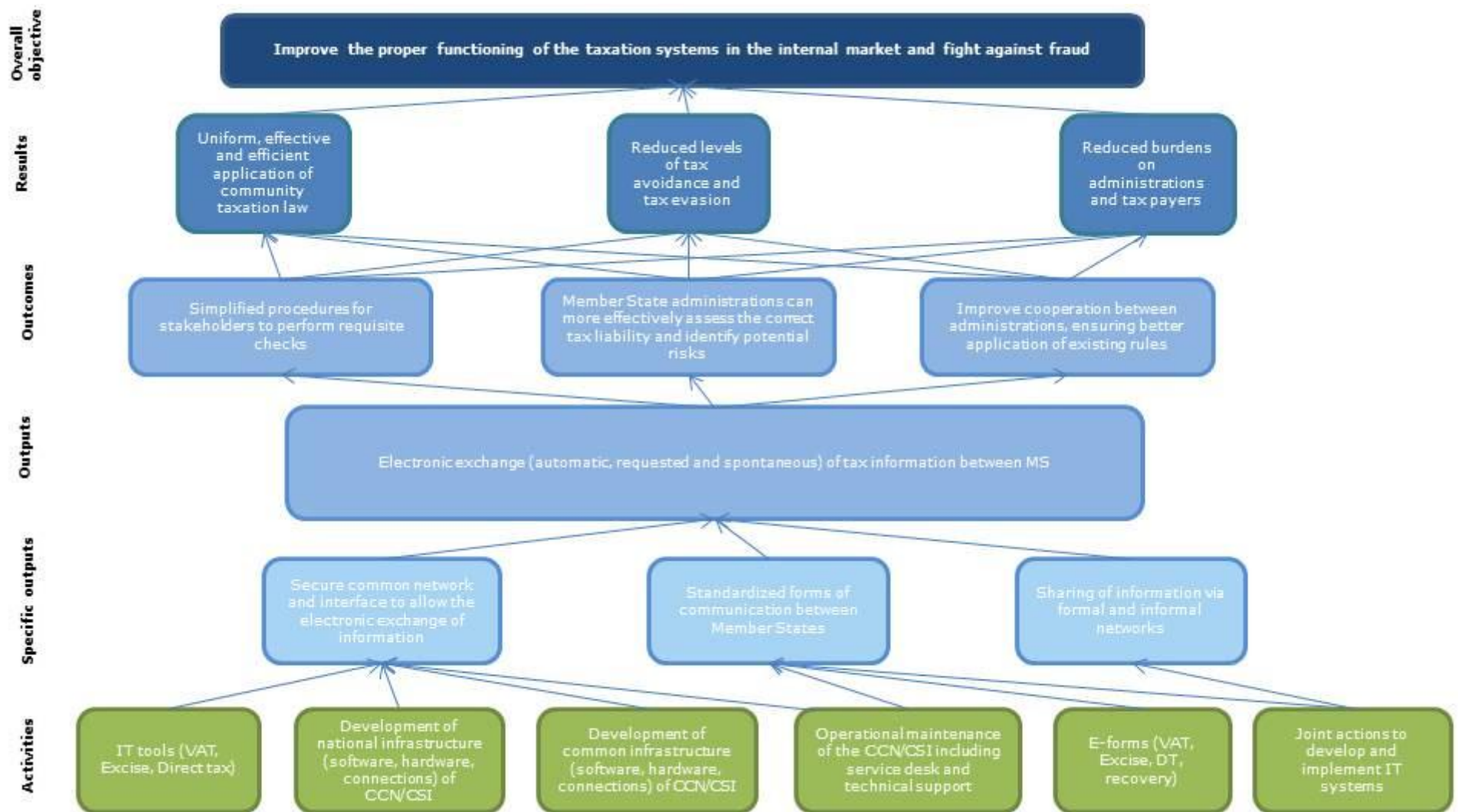
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<sup>136</sup> COUNCIL DIRECTIVE 2011/16/EU on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC

<sup>137</sup> Ibid

<sup>138</sup> In fable 4 we focus on EC-Fiscalis activities, although one external action is distinguished in activity box 2 'the development of national infrastructure' the evaluation will distinguish between EC activities and external actions.

Figure 1 Intervention logic for the electronic exchange of information



As described previously, a number of hypotheses have been developed to further explain how the Fiscalis 2013 activities facilitating the electronic exchange of information are expected to achieve results (the embedded theory of change). The hypotheses are primarily based on the DG TAXUD IT Master plan (MAST), explorative interviews with the Commission (EXP) and the mid-term evaluation (MTE).

**Table 1 Hypotheses for the systems enabling the electronic exchange of information**

Link in the intervention logic	Hypotheses
<b>Securing efficient, effective and extensive information exchange and administrative cooperation</b>	<b>From activity to output:</b> The development of the CCN/CSI enables secure information exchange between Member States that would not otherwise be possible (EXP).
	<b>From activity to output:</b> The communication and information-exchange systems enable the rapid identification of the competent authorities (EXP).
	<b>From activity to output:</b> The communication and information-exchange systems enable the secure exchange of information between competent authorities. (MTE).
	<b>From activity to outcome:</b> The communication and information-exchange systems allow the more efficient exchange of information between competent authorities. (MTE).
	<b>From activity to result:</b> Joint actions on the development and implementation of the IT systems are necessary in order to allow interoperability of the various national applications (EXP).

### Intervention logic in the area of VAT

Fiscalis 2013 supports a number of well-established IT systems in the area of VAT as well as various joint actions.

*The computerized VAT Information Exchange System (V.I.E.S.)* was set up to enable the automatic exchange of VAT-related information between Member State tax administrations. Member States are required by Council Regulation 904/2010 to electronically store and to automatically make available to other Member States data on intra-community supplies that are provided on recapitulative statements (EC sales lists).<sup>139</sup> Such information enables VAT administrations to monitor and control the flow of intra-Community trade, and thus to help detect cases of missing trader and carousel fraud. In addition, information on valid and invalid VAT identification numbers, and the name, address and activity of persons linked to those numbers is also held.

*Vies-on-the-Web* is an extension of the core VIES system, allowing traders limited access to information stored on national databases to confirm that their trading

<sup>139</sup> COUNCIL REGULATION (EU) No 904/2010 on administrative cooperation and combating fraud in the field of value added tax (recast), sets out that information on intra-community supplies of goods and services should be made automatically available, including their value and the VAT identification numbers of those making the supplies.

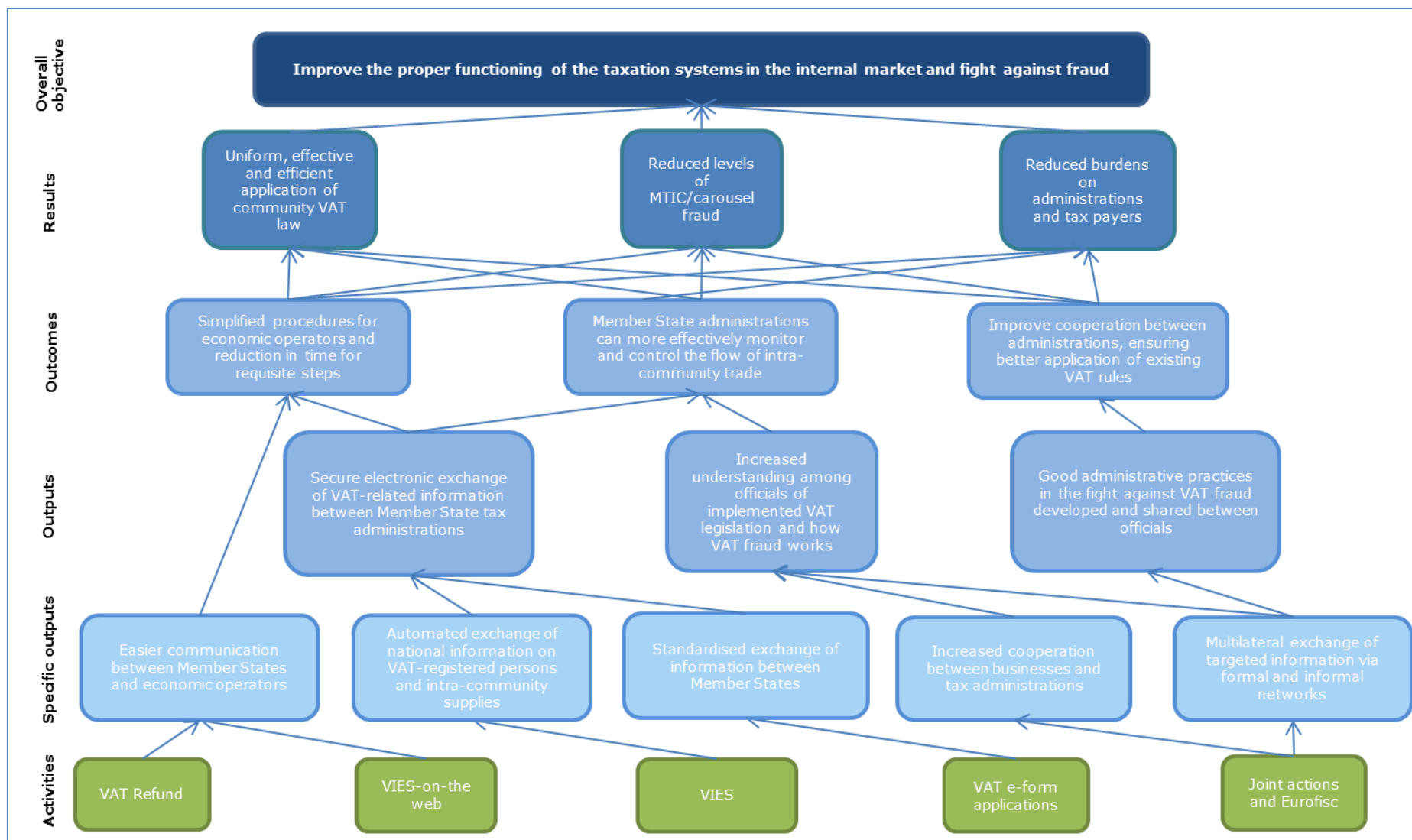
partners have a valid VAT number. This is particularly necessary for enterprises making supplies of goods to a taxable person in another Member State, because the status of the customer as a taxable person, as confirmed by the VAT number, is one of the conditions for exemption, and it is the customer who will then account for VAT. VIES-on-the-web allows traders to directly check the validity of a VAT number rather than directing the request at the Central Liaison Office in the Member State, who would have made the inquiry on their behalf.

*VAT Refund* electronic procedure is a system that was developed during the Fiscalis 2013 period, entering into operation on the 1st of January 2010. This new procedure simplifies the refund process by allowing business to directly apply for a VAT refund in their Member State of establishment for VAT incurred in other Member States, and is set out in Council Directive 2008/9/EC. Importantly, VAT Refund shifted the burden of the refund process from businesses to national tax authorities. Some implementation issues were encountered; a workshop took place in June 2010 to address a number of minor problems, such as the rejection of VAT Refund Applications. This is a good example of how joint actions can be used to support the implementation of IT systems.

*Joint actions* in the area of VAT can encompass a range of subjects including project groups to help clarify details of the implementation of the IT systems, as was the case for the VAT Refund procedure, or seminars to share good practices, such as ways of dealing with missing trader fraud.

The following diagram illustrates how the Fiscalis 2013 activities are expected to lead to outputs, outcomes and results in the VAT area specifically.

Figure 2 Fiscalis 2013 intervention logic in the area of VAT





The below hypotheses further illustrate how the links between activities, outputs and impacts are expected to work. In the area of VAT the hypotheses are based upon Impact Assessment of Fiscalis 2013 from 2006 (IA), the report from the Commission to the Council and the European Parliament on regulation 1798/2003 from 2009 (COMREP), Europa website (EU) and the Mid-term evaluation of Fiscalis 2013 (MTE). In addition, the hypotheses have been developed drawing on the information gathered through the explorative interviews (EXP).

There is a particular focus on information exchange and administrative cooperation, reflecting the evaluation's focus on this aspect of Fiscalis 2013. The hypotheses exemplify that the respondents for interviews as part of the case studies will point out how and to what extent the different activities contribute towards the objectives.

**Table 2 Hypotheses in the area of VAT**

Link in the intervention logic	Hypotheses
<b>Securing efficient, effective and extensive information exchange and administrative cooperation in the area of VAT</b>	<b>From activity to specific output:</b> Standard reporting forms (in standard format) increases efficiency (COMREP)
	<b>From activity to output:</b> National tax authorities will have a reduced administrative burden when they and traders can access VIES-on-the-web to confirm the validity of VAT numbers (EU)
	<b>From activity to result:</b> Member States are more likely to reduce fraud if they can match key information from VIES on cross-border transactions to their national records (EU)
	<b>From outcome to result:</b> Accurate and complete information exchanged through VIES is more likely to allow officials to detect VAT fraud (EXP)
	<b>From outcome to result:</b> Simplified economic procedures resulting from VIES-on-the-web have reduced the burden on taxpayers (EXP).
<b>Enabling officials to achieve a high standard of understanding of Community law and its implementation in Member States</b>	<b>From outcome to result:</b> Increased information exchange reduces the burden on tax administrations (MTE)
	<b>From activity to outcome:</b> Introducing the VAT-refund simplifies procedures for businesses by centralising the burden of documentation on the Member State in which businesses are established helps increase compliance with EU law (MTE)
	<b>From activity to result:</b> If VIES ceased to be financed, Member States would not be able to meet their obligations to exchange VAT related information under Regulation 1798/2003 (IA).
	<b>From output to outcome:</b> Member States which exchange practices on the implementation of EU law increase their understanding of EU law more than those/when they do not exchange practices (MTE).
<b>Sharing, developing and disseminating of good administrative practices.</b>	<b>From output to outcome:</b> A more uniform application of EU law is more likely to be achieved if good practices are developed in the context of Joint Actions (MTE).
	<b>From outcome to result:</b> When Member States share good administrative practices, implementation of EU law is improved (MTE).
<b>Sharing, developing and disseminating of good administrative practices.</b>	<b>From activity to specific outputs:</b> Member States are more likely to exchange information spontaneously if they are aware of the benefits of

	<p>spontaneous exchange of information (e.g. awareness through training of national tax auditors) (COMREP)</p> <hr/> <p><b>From specific output to outcome:</b> The development of regular cooperation has increased the extent to which Member States share good practices with other Member States.</p> <hr/> <p><b>From output to outcome:</b> Member States have shared more experiences/opinions within the VAT area (e.g. regulation and cooperation) than they would have done had Fiscalis 2013 not existed. (EXP)(IA)</p>
	<p><b>From activity to outcome:</b> MLCs foster networks between tax officials which are useful in the day-to-day work of tax officials (MTE)</p>

### Intervention logic in the area of Excise

*EMCS* is a computerised system for monitoring movements of excise goods under suspension of excise duties within the EU, i.e. for which no excise duties have yet been paid. With the introduction of EMCS from the 1st April 2010 (Milestone a), the paper-based Administrative Accompanying Documents (AADs), and related exchanges of information, were gradually replaced with electronic Information Exchange (IE) messages. Electronic filing of all EMCS messages became mandatory from 01/01/2011 (Milestone b), meaning the paper-based AADs were no longer valid from this date.

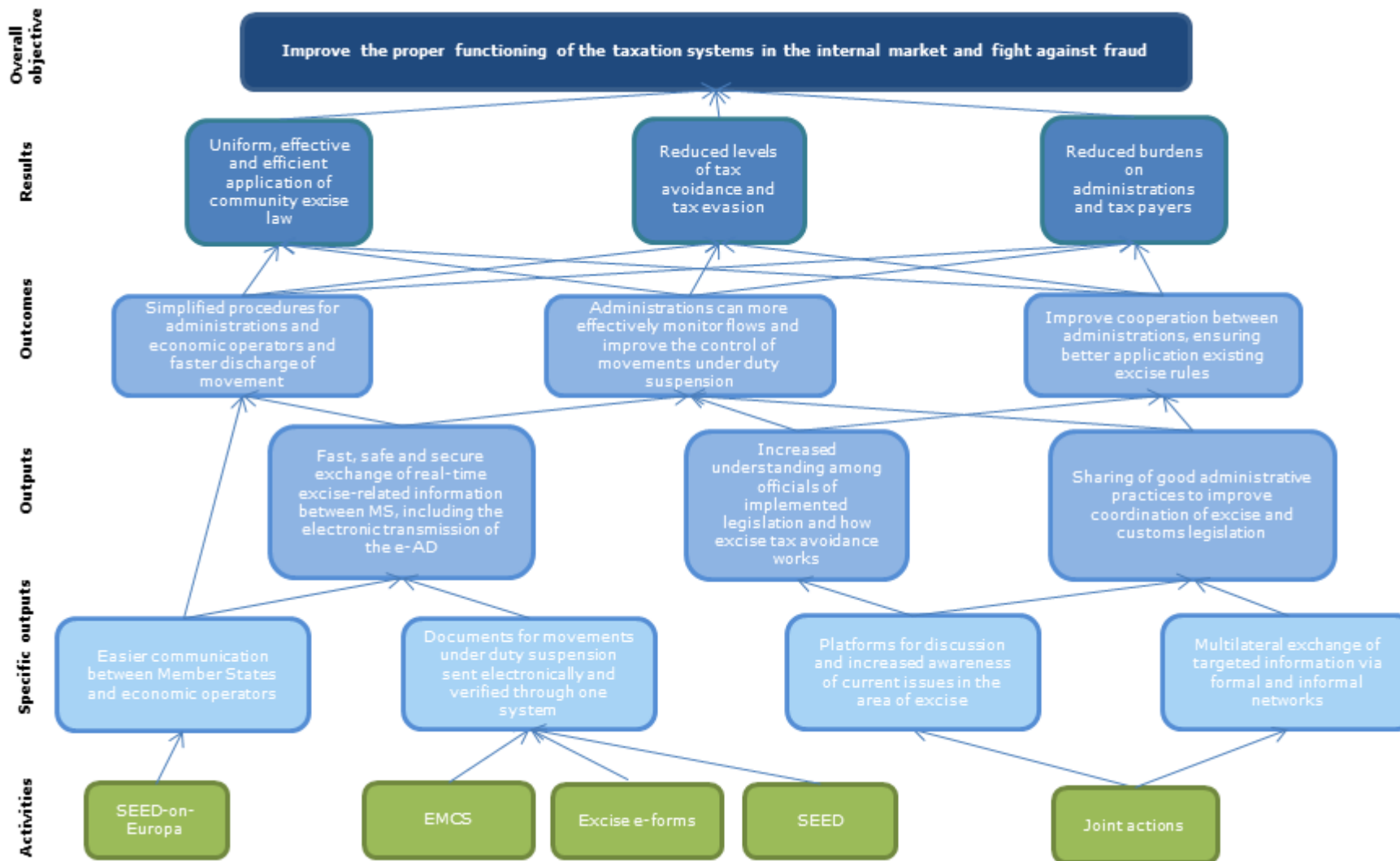
The objectives of this system are both to eliminate the weaknesses of the former paper-based system (in the aim of reducing fraud) and to provide all partners with complementary services, in particular to bring real-time information during the excise movement to all actors of the EMCS project community. Since 1<sup>st</sup> January 2012 (Milestone c), the range of functionalities was expanded to include more administrative cooperation, replacing e-forms and paper-based communication for certain arrangements such as alert or rejection of an e-AD.

*SEED (System for exchange of excise data)* is a European database of economic operators that has been incorporated into EMCS, allowing the excise numbers of the consignor and the consignee to be matched against this European register of economic operators. SEED-on-Europa allows traders to consult certain information in the SEED database and determine whether a given excise number is valid. Authorised categories of goods for this operator are also given.

All types of *joint actions* are carried out in the area of excise including project groups to aid the implementation of EMCS, MLCs and seminars to help harmonise approaches towards certain products. In addition, e-learning tools to help train both officials and economic operators on EMCS.

The below diagram represents how the activities are expected to contribute to the programme objectives:

Figure 3 Fiscalis 2013 Intervention logic in the area of excise



The below hypotheses have been developed using the Commission staff working document accompanying the report on the implementation of Decision No 1152/2003/EC<sup>140</sup> (REP), the e-training core module (ETR), Europa web pages (EU), Council Regulation 389/2012 on administrative cooperation in the field of excise duties<sup>141</sup> (REG), the mid-term evaluation (MTE), the Annual Work Programmes 2008-13 (AWP) and explorative interviews with the Commission (EXP).

**Table 3 Hypotheses in the area of Excise**

Link in the intervention logic	Hypotheses
<p><b>Securing efficient, effective and extensive information exchange and administrative cooperation in the area of excise</b></p>	<p><b>From output to outcome:</b> Being able to monitor movements in real-time enables officials to more effectively identify any irregularities in excise movements (REG).</p>
	<p><b>From specific output to outcome:</b> Enabling economic operators to validate an excise number using SEED-on-Europa reduces their administrative burden (EU)</p>
	<p><b>From output to outcome:</b> The electronic exchange of the e-AD results in the faster discharge of the movement (EU)</p>
	<p><b>From output to result:</b> Being able to monitor movements in real-time allows officials to reduce the levels of fraud associated with movements under duty suspension (REP)</p>
	<p><b>From activity to result:</b> The verification of consignors/consignees with SEED reduces the numbers of fraudulent movements.</p>
	<p><b>From activity to output:</b> Joint activities are vital in order to ensure the effective national implementation of EMCS (EXP)</p>
<p><b>Enabling officials to achieve a high standard of understanding of Community law and its implementation in Member States</b></p>	<p><b>From output to outcome:</b> An increased understanding of national practices from seminars/workshops in the area of direct taxation results in more effective control of movements (AWP)</p>
	<p><b>From output to result:</b> Enabling officials to increase their understanding of fraudulent practices and current issues in other Member States will reduce the levels of excise fraud (REP)</p>

<sup>140</sup> Commission staff working document accompanying the report 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 Decision No 1152/2003/EC

<sup>141</sup> Council Regulation (EU) No 389/2012 of 2 May 2012 on administrative cooperation in the field of excise duties and repealing Regulation (EC) No 2073/2004

	<b>From activity to output:</b> Seminars and workshops increase the capacity of participating officials to understand how legislation is implemented in other Member State (MTE)
<b>Sharing, developing and disseminating good administrative practices.</b>	<b>From activity to specific outputs:</b> The sharing of administrative practices to improve the coordination of customs and excise legislation results in reduced levels of tax avoidance and evasion (MTE)
	<b>From activity to specific output:</b> Joint actions result in the creation of informal networks that help the exchange of good practice between officials (MTE)
	<b>From output to result:</b> The development of good administrative practices through MLCs in the area of excise results in the more uniform implementation of community excise law (AWP)
	<b>From activity to outcome:</b> MLCs foster networks between tax officials which expand the administrative cooperation between tax officials (MTE)

### Intervention logic in the area of Direct taxation

Currently, information may be exchanged between Member States using *standardized e-forms* using CCN mail, which ensures that information is exchanged directly between competent authorities.

There are currently provisions in place to ensure the automatic exchange of information on the interest on savings to non-resident individuals, as laid out in the Taxation on Savings Directive.<sup>142</sup> There are also plans for the automatic exchange of information from January 2015 onwards under the following categories of taxes: employment, directors' fees, life insurance, pensions and property.

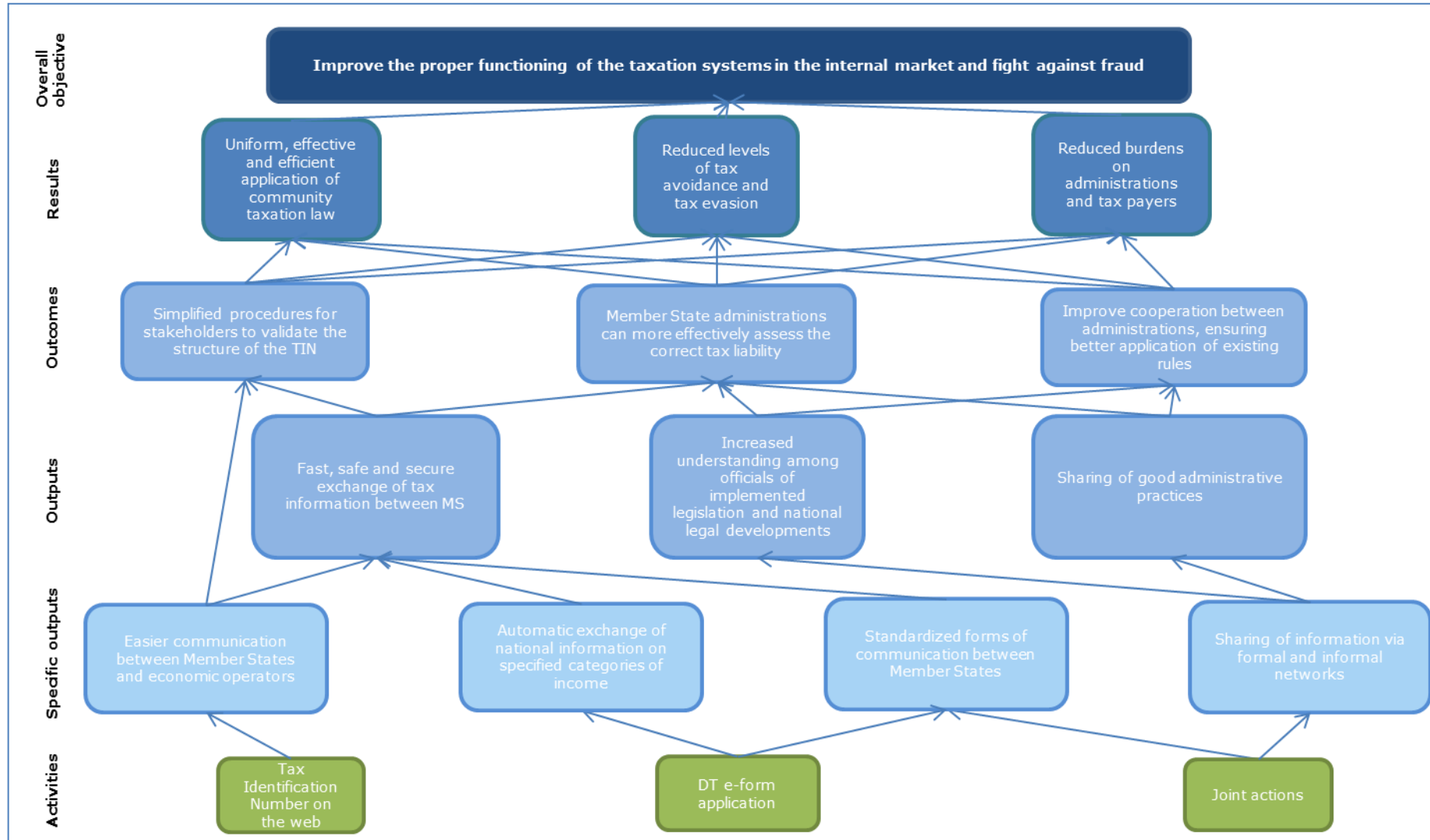
The *TIN-on-the-web* check module allows users to verify the structure of a national Tax Identification Number in the Member States where it exists, in terms of the types and number of characters. It does not however confirm that the number actually exists or the identity of the person linked to that number.

The following diagram illustrates how Fiscalis 2013 activities are expected to lead to the overall objective of the programme:

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<sup>142</sup> COUNCIL DIRECTIVE 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments

Figure 4 Intervention logic in the area of Direct Taxation



Hypotheses were developed using the following sources: Council Directive 2011/16/EU on administrative cooperation in the field of taxation (DIR), Europa website (EU) Consultation paper "Use of an EU Tax Identification Number" (EU TIN), Explorative interviews (EXP), mid-term evaluation (MTE), Multilateral control management guide (MLC GUIDE).

**Table 4 Hypotheses for the area of Direct Taxation**

Link in the intervention logic	Hypotheses
<p><b>Securing efficient, effective and extensive information exchange and administrative cooperation in the area of Direct Taxation</b></p>	<p><b>From activity to outcome:</b> Information exchanged automatically on interest paid on savings allows tax officials to more effectively calculate tax liabilities (DIR).</p> <p><b>From activity to result:</b> Using TIN-on-the-web to validate the structure of a TIN allows officials to more easily identify a taxpayer when automatically exchanging information (EU, EU TIN), reducing administrative burden.</p> <p><b>From activity to output:</b> Direct taxation e-forms allow faster and more efficient exchange of information (MTE, EXP).</p> <p><b>From activity to result:</b> Using e-forms to exchange information reduces the time and effort required when requesting/receiving this information (EXP).</p> <p><b>From activity to result:</b> The simplified procedures to validate the structure of a TIN number decreases burdens on operators/administrations (EU TIN).</p> <p><b>From activity to outcome:</b> Direct taxation e-forms make it easier to formulate requests for exchange of information from participating countries (MTE).</p>
<p><b>Enabling officials to achieve a high standard of understanding of Community law and its implementation in Member States</b></p>	<p><b>From activity to outcome:</b> An increased understanding of implemented legislation from seminars/workshops in the area of direct taxation allows officials to more effectively assess the correct tax liability (MS)</p> <p><b>From activity to output:</b> Seminars and workshops increase the capacity of participating officials to understand how legislation is implemented in other Member States (MTE)</p>
<p><b>Sharing, development and dissemination of good administrative practices.</b></p>	<p><b>From output to specific outcome:</b> An increased understanding of other Member State practices and procedures allows officials to more effectively assess the correct tax liability (EXP)</p> <p><b>From activity to outcome:</b> MLCs allow officials to share knowledge on audit practices with officials from other Participating Countries (MLC GUIDE)</p>

**From activity to outcome:** MLCs foster networks between tax officials which are useful to help officials calculate the correct tax liability (MTE)

**From activity to result:** MLCs increase revenue collection in the field of direct taxation (MTE).



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