



Brussels, 3.2.2020
C(2020) 482 final

ANNEX

ANNEX

to the

COMMISSION IMPLEMENTING DECISION

on the financing of the Fiscalis 2020 programme and the adoption of the work programme for 2020, and authorising the use of unit costs under this programme

ANNEX

BUDGET LINE 140301: FISCALIS 2020 WORK PROGRAMME FOR 2020

1.1. Introduction

Strategic framework

The Fiscalis 2020 programme offers the European Union framework to **improve the functioning of the taxation systems in the internal market by enhancing cooperation between participating countries, their tax authorities and their officials**. The programme, in this sense, is a tool that contributes to the implementation of the broad scale of taxation policy issues at the Union level.

One of the priorities of the Union is to guarantee fairness and a level playing field between taxpayers so that all contribute their fair share and efficient taxation is ensured. This will be achieved by ensuring tax transparency and supporting tax compliance, while combatting tax fraud, tax evasion, and tax avoidance. To create modern tax administrations in the Union, a new dimension has been added to the cooperation, by bringing together regularly the Heads of Tax Administrations (Tax Administrations EU Summit, TADEUS)¹ to have a strategic dialogue and to provide guidance to address the common challenges of tax administrations.

To achieve the objectives above, it is crucial to make sure that national tax authorities coordinate and exchange information with each other. Single and uncoordinated unilateral actions would not be effective. The programme will therefore continue to contribute to the objectives of tax transparency, administrative cooperation and tax coordination by supporting the cooperation among Member States.

In particular, the programme will enhance the implementation of administrative cooperation tools, such as automatic exchange of information under the Council Directive 2011/16/EU² of 15 February 2011 on administrative cooperation, in the field of taxation and repealing Directive 77/799/EEC its amendments³ and taking into account the conclusions of its 2019 evaluation⁴, including cross-border tax rulings and advance pricing arrangements, country-by-country reporting and reportable cross-border tax arrangements through transparency rules for

¹ TADEUS was established in 2018 and aims to foster a stronger cooperation between tax administrations across the Union and to create a strategic dialogue between the Heads of Tax Administration. The strategic dialogue will tackle issues of common interest with a project-driven approach and leading to tangible results. More information on TADEUS is available on the TADEUS webpage: https://ec.europa.eu/taxation_customs/news/tadeus-%E2%80%93-tax-administration-eu-summit_en

² OJ L 64, 11.3.2011, p.1.

³ Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 359, 16.12.2014, p.1); Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 332, 18.12.2015, p.1); Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 146, 3.6.2016, p. 8); Council Directive (EU) 2016/2258 of 6 December 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 342, 16.12.2016, p.1); Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (OJ L 139, 5.6.2018, p.1).

⁴ SWD(2019)327 final

intermediaries. In the area of tax dispute resolution mechanisms,⁵ the programme helps to develop together with Member States the necessary framework, for example by developing solutions for a permanent arbitration body. It will also include further IT and operational developments to implement the recent measures to strengthen administrative cooperation in the field of value-added tax as from 2020⁶.

The Commission adopted a communication⁷ to launch an anti-tax avoidance package for fairer, simpler and more effective corporate taxation. This package aims at preventing aggressive tax planning, boosting tax transparency and creating a level playing field for all businesses in order to ensure that companies pay tax in the country where profits are generated. The main proposal of the anti-avoidance package – the Anti-Tax Avoidance Directive (ATAD) - has been adopted⁸ and was subsequently amended once to address third country situations⁹. The measures of ATAD implement some of the Organisation for Economic Co-operation and Development (OECD)'s Base Erosion Profit Shifting (BEPS) measures to ensure that the Member States have legally binding anti-abuse measures to fight the most common forms of aggressive tax planning. Activities have been organised under the programme to follow up these anti-tax avoidance package's measures and facilitate their implementation, in particular as regards automatic exchange for country-by-country reporting and measures to better identify how much in taxes a company pays and on what profits. Making the Common corporate consolidated tax base a reality would be another important step in this direction.

Furthermore, as tax fraud, tax evasion and aggressive tax planning become more sophisticated and capital finds new ways by involving third countries, activities will be pursued or initiated under the programme to tackle the international dimension of fraud and allow for better collaboration with third countries^{10,11}. It is important to support under the programme the implementation of measures initiated by the Commission to encourage third countries to apply minimum standards of good governance in tax matters¹². Setting up a coordinated approach at Union level to establish administrative cooperation also with third countries will remain high on the Union's agenda in the coming years.

Member States need to address their divergent approaches to tackling external base erosion threats. All G20/OECD members and a significant number of other countries have committed to implementing BEPS standards. Within the Union, work to deliver on this commitment has

⁵ Council Directive (EU) 2017/1852 of 10 October 2017 on tax dispute resolution mechanisms in the European Union (OJ L 265, 14.10.2017, p. 1).

⁶ Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (OJ L 268, 12.10.2010, p. 1).

⁷ COM(2016) 23 final, Communication from the Commission to the European Parliament and the Council - Anti-Tax Avoidance Package: Next Steps towards delivering effective taxation and greater transparency in the EU, 28.1.2016.

⁸ Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (OJ L 193, 9.7.2016, p.1)

⁹ Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (OJ L 144/1, 7.6.2017)

¹⁰ COM(2016) 687 final, Proposal for a Council Directive amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries, 25.10.2016.

¹¹ International agreement concluded on 22 June between the Union and Norway on administrative cooperation, combatting fraud and recovery of claims in the field of VAT, International agreements concluded in 2015 and in 2016 between the Union and Switzerland, Liechtenstein, San Marino, Andorra and Monaco for implementing automatic exchange of financial account information and enhancing exchange of information on request.

¹² COM(2016) 24 final, Communication from the Commission to the European Parliament and the Council on an External Strategy for Effective Taxation, 28.1.2016.

already started. However, an efficient implementation of the new international tax rules needs a worldwide acceptance and, in the meantime, a common Union external strategy for effective taxation based on clear, coherent and internationally recognised tax good governance criteria, is being implemented through the common EU list of non-cooperative tax jurisdictions¹³.

An overall reform of the VAT system is currently underway - especially in respect of cross-border intra-Union supplies of goods between businesses (the so-called 'definitive VAT system', as described in next paragraph) - and the legislation on administrative cooperation for VAT has provided the Member States with additional means to combat tax fraud and evasion that must be implemented.

The 2016 VAT Action Plan¹⁴ proposed areas of work in particular to implement the destination principle, removal of VAT obstacles for digital supplies and SMEs' development in the internal market, VAT rates policy and measures to fight fraud and improve voluntary compliance. Since then, the Commission presented in 2017 and 2018 the pertinent proposals, including on the definitive VAT system together with the so-called "quick fixes" for the current VAT system¹⁵. The proposal on the "quick fixes", which aims at improving certain punctual aspects of the current VAT transitional arrangements for the trade in goods until the definitive VAT system is put in place, was agreed by the Council in October 2018. For the initiatives not yet agreed, the discussions in Council follow their course. Whenever suitable, implementation of these various VAT initiatives will be supported by programme activities.

Furthermore, in the digital economy era, ensuring appropriate taxation of e-commerce is recognised as a priority and the VAT e-commerce package that Council adopted in December 2017¹⁶ will contribute to achieve the Digital Single Market, with formal adoption of the Implementing Regulation awaiting the opinion of the newly constituted European Parliament. To enable tax authorities to detect VAT fraud in ecommerce, the Commission has presented a proposal to collect and exchange VAT-relevant payment data from Payment Service Providers. The practical details for its implementation, together with the preparation for the development of a central and national repositories, will be done with Member States and Payment Service Providers in the framework of activities under the programme.

In order to fight against tax fraud, tax evasion and aggressive tax planning in all its dimensions and to facilitate legitimate trade, it is important to further enhance cooperation between customs and tax authorities and with law enforcement bodies. It is also necessary to strengthen Eurofisc, the key actor at Union level to combat cross-border VAT frauds.

¹³ Council Conclusions on the EU list of non-cooperative jurisdictions for tax purposes (OJ C 438, 19.12.2017, p. 5)

¹⁴ COM(2016) 148 final, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT - Towards a single EU VAT area - Time to decide, 7.4.2016.

¹⁵ Proposal for a Council Directive of 4.10.2017 amending Directive 2006/112/EC as regards harmonising and simplifying certain rules in the value added tax system and introducing the definitive system for the taxation of trade between Member States (COM(2017)569final); Proposal for a Council Implementing Regulation of 4.10.2017 amending Implementing Regulation (EU) 282/2011 as regards certain exemptions for intra-Community transactions (COM(2017)568);

Proposal for a Council Regulation of 4.10.2017 amending Regulation (EU) No 904/2010 as regards the certified taxable person (COM(2017) 567 final);

Proposal for a Council Directive of 25.5.2018 amending Directive 2006/112/EC as regards the introduction of the detailed technical measures for the operation of the definitive VAT system for the taxation of trade between Member States (COM(2018) 329).

¹⁶ Council Directive (EU) 2017/2455 of 5 December 2017 amending Directive 2006/112/EC and Directive 2009/132/EC as regards certain value added tax obligations for supplies of services and distance sales of goods (OJ L 348, 29.12.2017, p. 7).

Following the adoption by the Council of the amendments to Council Regulation (EU) 904/2010, several related activities have been initiated. IT developments to implement these measures are still needed as well as project groups where methods and practical guides will be discussed and prepared. TADEUS will also provide guidance on the future of Eurofisc that may require further support by this programme.

An effective strategy to fight against fraud and tax evasion cannot ignore risk management evolutions and sharing best practices to ensure smooth exchanges of information. This together with facilitating and enforcing compliance by taxpayers remains a priority policy objective for the Fiscalis 2020 programme. In addition, it is essential to explore the use of new technologies in both improving tax compliance and strengthening the fight against tax fraud.

To improve the internal market for excise goods and to reduce compliance burden, activities under the programme will be organised to improve the existing excise related procedures and systems. Programme activities will also be undertaken to implement the changes to procedures and IT related systems to better detect and prevent excise fraud.

Tax systems should be made fairer and more growth-friendly to promote job creation, mitigate inequalities, fight tax abuse and support investments. Activities along those priorities will be organised in order to ensure that taxation plays its role in the broader Union-wide economic governance process i.e. the European Semester and following-up the Annual Growth Surveys' objectives. In order to help ensuring that the Union tax framework is fit for purpose, growth-friendly and as simple as possible, the programme's initiatives will support the modernisation of tax systems and administrations while bringing them on the same level playing field.

Tax systems should also become greener. Taxation can play a direct role in achieving the Green Deal goals of climate neutrality by 2050 which is a priority set by the new Commission, by providing the right incentives to steer behaviour of producers, users and consumers and by ensuring a level playing field. In this regard, the programme's initiatives will support the revision of the Energy Tax Directive¹⁷ and the work on a Carbon Border Tax in the context of the European Green Deal.

The Commission will set up programme activities for administrative capacity building for tax administrations both in terms of structural capacity and human resources competency building, to make them more efficient and effective. The design and rollout of a competency framework for tax administrations will help developing skills of tax officials and support the modernisation of tax administrations.

Activities under the programme will also be organised to tackle the tax gap, and to improve and facilitate taxpayers' registration, declaration, audit, national tax collection, recovery, and mutual recovery assistance¹⁸. At the same time, these activities should pay attention to the respect of taxpayers' rights and the promotion of tax compliance.

Looking forward, it is important to reflect on the future of our tax systems, including on questions such as the sustainability of our tax systems in the light of the technological

¹⁷ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L283, 31.10.2003, p.51).

¹⁸ See Report from the Commission to the European Parliament and to the Council on the operation of the arrangements established by Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures, COM(2017) 778 of 18 December 2017.

evolution, demographic evolutions, but also globalisation and intensified competition between countries and regions. Bringing Member States together to reflect on future challenges for taxation would be useful.

It is important to remove tax disincentives to the exercise by Union citizens of their right to free movement within the internal market, still ensuring their tax obligations. Therefore, programme activities will be organised for making the current mechanisms of resolution of double taxation disputes in the Union simpler, faster to deal with and more coordinated across the Union. Strengthening the dialogue with trade representatives and the cooperation with international organisations (OECD, Intra-European Organisation for Tax Administrations - IOTA and Inter-American Center of Tax Administrations-CIAT) will contribute to this policy objective. In addition, programme activities will focus on dealing with cross-border tax obstacles and double taxation problems, including removal of obstacles for cross-border investors, for the Digital Single Market or informing national tax administrations and judiciaries on the implementation of Union law. The programme will also support activities aiming at supporting tax compliance by exploring the use of new technologies and preventing disputes in the area of VAT.

To support the reform and implementation of Union law, activities under the programme will be organised to enhance the understanding of tax law, in all taxation areas and, in particular, with regard to VAT, energy taxation, tobacco, alcohol and alcoholic beverages.

In addition, the Commission submitted proposals to ensure fairer taxation of the digital economy¹⁹. The Commission will continue to work on the fair taxation of the digital economy during 2020, in particular by supporting the international discussions taking place at the Organisation for Economic Co-operation and Development (OECD) in order to agree on a global consensus-based reform of the international business taxation.

Development and maintenance of European Information Systems (EIS) related to exchange of taxation information among Member States is essential for national administrations, citizens and businesses across the entire Union. Disruptions of the EIS would severely hamper the functioning of the internal market. New forms of IT collaboration will be continued and deepened – amongst others through expert teams – which enable enhanced operational cooperation.

Coordination with other Union policies and their supporting programmes and funds, in particular with the Structural Reform Support Programme 2020 and post 2020²⁰, needs to be ensured. Where suitable and possible, programme activities are set up to implement the requests for technical assistance in the area of Union tax policy as coordinated by the Commission's Structural Reform Support Service.

Against this background and in accordance with the objectives provided for in Regulation (EU) No 1286/2013, this work programme contains the actions to be financed and the budget breakdown for year 2020 as follows²¹:

¹⁹ Proposal for a Council Directive of 21.3.2018 laying down rules relating to the corporate taxation of a significant digital presence (COM(2018) 147 final); Proposal for a Council Directive of 21.3.2018 on the common system of a digital services tax on revenues resulting from the provision of certain digital services (COM(2018) 148 final).

²⁰ Proposal for regulation under MFF 2020-2027: COM(2018) 391 final - 2018/0213 (COD) and COM(2019) 354 final – 2019/0161 (COD)

²¹ The total amount of appropriations may be higher when using foreseen financial contributions from candidate and potential candidate countries participating in the Fiscalis 2020 programme. The maximum estimated amount for 2020 is EUR 430 000.

- for grants (implemented under direct management) (1.2): EUR 7 671 400
 - for procurement (implemented under direct management) (1.3): EUR 25 271 600
 - for other actions (reimbursement of external experts) (1.4): EUR 50 000
- TOTAL actions: EUR 32 993 000

1.2. Grants

1.2.1. Grant for joint actions

LEGAL BASIS

Articles 5(2) and 7(a) (i)-(iv) and (vi)-(ix) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and appropriate, by 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.

BUDGET LINE

14 03 01

Priorities of the year, objectives pursued and expected results

The programme is a tool that supports and implements the overall tax policy at the Union level. The overall objective of the Fiscalis 2020 programme is to improve the proper functioning of the taxation systems in the internal market by enhancing cooperation between participating countries, their tax authorities and their officials. The programme aims to successfully contribute to the Europe 2020 Strategy for smart, sustainable and inclusive growth by strengthening the functioning of the internal market.

This grant focuses on the implementation of the following priorities for 2020:

- tax transparency to fight tax evasion and avoidance and establishment of a fair and efficient corporate tax system in the Union;
- implementation of new administrative cooperation tools;
- reinforcement and further development of national recovery and of the framework and tools for recovery assistance, with respect for taxpayers' rights and attention for tax compliance issues;
- the international dimension of tax fraud and allowing for better collaboration with third countries as regards the implementation of the association agreements;
- overall reform of the VAT system;
- support the modernisation of the tax system in support of the EU Green Deal;
- tax aspects of the digital economy, especially e-commerce;
- excise related procedures and systems optimisation;
- cooperation between customs and tax authorities and with law enforcement bodies;

- explore the use of new technologies in tax systems;
- facilitate common risk assessment and management with the aim to facilitate tax compliance;
- fair and growth-friendly tax systems, as well as administrative capacity building for tax administrations;
- sustainability and competitiveness of tax systems in the medium-longer term.
- tackling tax disincentives to the exercise by Union citizens and businesses of their right to free movement within the internal market and solving cross-border tax obstacles and double taxation or non-taxation issues;
- support to the reform and implementation of Union law;
- support for the development and maintenance of European Information Systems (EIS) for taxation.

Expected result: Implementation of programme joint action events (550) in the policy projects described in the appendix.

Description of the activities to be funded by the grant awarded without a call for proposals on the basis of Article 195(f) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012²²

This grant will fund activities on:

- improving the European Information Systems for taxation;
- supporting administrative cooperation activities;
- reinforcing the skills and competence of tax officials;
- enhancing the understanding and implementation of Union law in the field of taxation;
- supporting the improvement of administrative procedures and the sharing of good administrative practices.

These activities will take the form of:

- (i) seminars and workshops;
- (ii) project groups;
- (iii) bilateral or multilateral controls and other activities provided for in Union law on administrative cooperation;
- (iv) working visits;
- (v) public administration capacity-building and supporting actions;

²² OJ L 193, 30.7.2018, p. 1.

- (vi) studies;
- (vii) jointly developed communication actions;
- (viii) any other activity in support of the general, specific and operational objectives.

Essential eligibility, selection and award criteria

This grant is awarded on the basis of the following criteria:

Eligibility criteria

The beneficiaries of the grant will be Member States and other eligible countries fulfilling the conditions for participation listed in Article 3 of Regulation (EU) No 1286/2013, under a grant agreement with multiple beneficiaries.

The proposed activities must correspond to the types of eligible actions listed in Article 7(1)(a)(i) to (ix) except (v) of Regulation (EU) No 1286/2013.

Selection criteria

In accordance with Article 198(5)(c) of Regulation (EU, Euratom) 2018/1046, the financial and operational capacities of the beneficiaries will not be verified, since the beneficiaries are public bodies.

Award criteria

The grant will be awarded based on its relevance and cost-efficiency for achieving the objectives and expected results of the policy projects listed in the appendix.

Implementation

BY DG TAXUD

Indicative timetable and indicative amount of the grant awarded without a call for proposals

Reference	Date	Amount
Grant for Joint actions Fiscalis 2020	Q1 2020	EUR 5 601 400

Maximum possible rate of co-financing of the eligible costs

The grant will take the form of a combination of:

- Reimbursement of the eligible costs actually incurred by the beneficiaries for the following items:
 - (a) travel costs of their delegates up to 100%;
 - (b) costs linked to the organisation of events in the framework of a given joint action up to 100%;
 - (c) direct staff costs up to 50% for officials participating as experts in eligible action under Article 7(a) vi), "public administration capacity-building and supporting actions", of Regulation (EU) No 1286/2013.
- Reimbursement on the basis of unit costs for daily allowances and accommodation costs for national delegates. The amounts to be used are those listed in the Commission Decision for the general implementing provisions adopting the guide to missions for officials and other servants of the European Commission in force at the time of the signature of the grant agreement. The list of unit costs shall be annexed to the grant agreement.

1.2.2. Grant for expert team for Transaction Network Analysis II (TNA II)

LEGAL BASIS

Articles 5(2) and 7(1)(a)(v) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and appropriate, by 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.

BUDGET LINE

14 03 01

Priorities of the year, objectives pursued and expected results

TNA, or Transaction Network Analysis, is aimed at fighting VAT fraud by enhancing Eurofisc capability to exchange information and detect fraudsters. TNA is a tool for information exchange and common processing of data for Eurofisc officials that uses VIES and Eurofisc data to build networks around known risky traders.

The TNA system has been created by the TNA Expert team and put in production in 2019 and the first results are very encouraging. However, since TNA is in its infancy, improvements

have to be made. The algorithms to perform risk analysis have to be further developed and assessed until a maturity stage is reached. This task requires a considerable effort from scarce human resources with data analytic skills and tax-fraud-specific knowledge. The MS need to pool resources and develop relevant knowledge bases to confront this challenge.

Improvements should not only be seen in the context of the fight against Missing Trader Intra Community (MTIC) fraud, which was the primary TNA target, but also for an extension to other fraud types.

The objective of the TNA II Expert team is to further improve and expand the TNA tool in order to enhance operational efficiency within Eurofisc. In a nutshell, the proposed TNA II Expert team covers:

- the improvement of TNA operation within Eurofisc from an operational perspective;
- the broadening of TNA scope from a business extension perspective.

The high-level expected outcome of creating an Expert team to improve and extend TNA is that Eurofisc Liaison Officials will be making better use of the TNA capabilities to exchange information, target fraudsters and prioritize riskiest networks for further investigations and follow-up actions. In this sense an Expert team will contribute to an improved capability of Eurofisc to target fraudsters and fight VAT fraud, covering thus fraud detection and follow-up actions. Moreover improvements in communicating Eurofisc results are also expected.

Improvements and extensions to TNA can be viewed as a circle with the successful completion of a previous step being a prerequisite to move further. Therefore by identifying a problem and collecting proposals to address the problem the Expert team will be able to test and refine proposals for improvements and extensions. Successful testing of an improvement or extension will result in tangible information to assess whether the improvement or change should be finally realised based on the expected impact. This will enable Eurofisc Working Fields (WFs) to decide on whether changes should be fully implemented. Following this decision, the Expert team can implement the agreed changes and monitor their efficiency to identify shortcomings and possible new areas for improvement. This will result in a report describing those findings that can lead to identification of new problems and search for new solutions.

The duration of the action is 24 months, due to the broad scope of the work.

Description of the activities to be funded by the grant awarded without a call for proposals on the basis of Article 195(f) of Regulation (EU, Euratom) 2018/1046.

This grant will fund activities on:

- Supporting the broader use of TNA application in Eurofisc;
- Supporting Member States to improve business rules to analyse the incoming data and prioritize networks and chains based on their level of risk;
- Assisting in the process of the integration of the information from Europol and OLAF;

The first set of activities covers operational aspects of TNA and will consist mainly of

- improving the way the Member States control and access operational data in TNA;
- developing material that guides the proper use of TNA and in particular a TNA end-user Charter and an Operational Team member Charter;
- developing more reports and Key Performance Indicators (KPI) on TNA to improve the way Eurofisc communicates its benefits internally and externally;

- troubleshooting the problems or issues with TNA system in particular where access to operational data is required;
- developing a framework for efficient Operational Team collaboration to increase availability of helpdesk and support functions.

The second set of activities will address in the following areas:

- improving the MTIC detection algorithms;
- extending TNA to other Working Fields;
- identify relations with Working Field 5 of Eurofisc and in particular the Central Electronic System of Payment data exchange (CESOP), as far as it progresses and information is available;
- coordination of follow-up actions;
- enrichment of the data sets with information received from external bodies, in particular Europol and OLAF.

Essential eligibility, selection and award criteria

This grant is awarded on the basis of the following criteria:

Eligibility criteria

The beneficiaries of the grant will be the Member States and other eligible countries fulfilling the conditions for participation listed in Article 3 of Regulation (EU) No 1286/2013, under a grant agreement with multiple beneficiaries. The proposed activities correspond to the eligible actions listed in Article 7(1)(a)(v) of Regulation (EU) No 1286/2013.

Selection criteria

In accordance with Article 198(5)(c) of Regulation (EU, Euratom) 2018/1046, the financial and operational capacities of the beneficiaries will not be verified, since the beneficiaries are public bodies.

Award criteria

The grant will be awarded based on its relevance, conformity and Union added value, its methodological and organisational qualities, its management and the dedicated resources, the expected results and value-for-money.

Implementation

BY DG TAXUD

Indicative timetable and indicative amount of the grant awarded without a call for proposals

Reference	Date	Amount
Expert team for Transaction Network Analysis II (TNA II)	Q2 2020	EUR 1 650 000

Maximum possible rate of co-financing of the eligible costs

Description of the grant

The grant will take the form of a combination of:

- Reimbursement of the following eligible costs actually incurred by the beneficiaries for the following items:
 - (a) costs for travel up to 100%
 - (b) costs for hosting officials up to 100%
 - (c) direct staff costs up to 50%
 - (d) depreciation costs for equipment needed for the project (only depreciation costs pro rata for the duration of the expert team), up to 75%
 - (e) costs for subcontracting, (external services for hiring special expertise, limited in volume and to non-essential parts of the project), up to 75%
 - (f) other direct costs (e.g. organisational costs for events, printing promotion material, purchase of consumables and supplies needed for the project) up to 100%.
- Reimbursement on the basis of unit costs for daily allowances and accommodation costs for national delegates. The amounts to be used are those listed in the Commission Decision for the general implementing provisions adopting the guide to missions for officials and other servants of the European Commission in force at the time of the signature of the grant agreement. The list of unit costs shall be annexed to the grant agreement.
- Reimbursement on the basis of a flat rate for indirect costs (overheads), corresponding to 7% of all eligible direct costs.

1.2.3. Grant for expert team for Central Electronic System Of Payment data exchange (CESOP)

LEGAL BASIS

Articles 5(2) and 7(1)(a)(v) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and appropriate, by 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.

BUDGET LINE

14 03 01

Priorities of the year, objectives pursued and expected results

The Commission has submitted to the Council a legislative package for the mandatory transmission of payment data. The package is composed of a proposal amending the VAT Directive 2006/112/EC of 28 November 2006 for the Payment Service Providers (PSPs) to collect and transmit to tax authorities a set of data, and a proposal amending the Regulation (EU) 904/2010 of 7 October 2010 on VAT Administrative cooperation for the tax authorities to collect the payment data and for the Commission to set up a central database at disposal of

Eurofisc officials for the storage, aggregation and analysis of payment data.

In particular, the Commission has proposed the creation of a European database of payment data related to cross-border B2C e-commerce transactions – CESOP (Central Electronic System Of Payment data exchange) – where payment data collected by Member States will be centralised, processed and then made available to Member States' Eurofisc liaison officials.

The implementation of the legislative package will require the Commission collaboration with both Member States' and PSPs' experts to cover both the collection and transmission of data from PSPs and the development of CESOP for the storage and processing of the data.

The development of the CESOP must take into account the central and national components. Nevertheless, since national components may share similar functions with the CESOP, the development of the latter can help Member States in their own implementation. On the other hand, the development of CESOP will be highly dependent of the inputs and needs identified by Member States. Since national databases and the CESOP may share similar features, the development of the CESOP and national systems could benefit from pooling the efforts and expertise.

Besides, considering the Commission will have no access to the data stored in the CESOP, according to Article 24d of the proposed amendment to Regulation (EU) 904/2010, the involvement of Member States experts is necessary to ensure the system has all the required capabilities in terms of data, system, and service quality, in alignment with stakeholders needs.

The implementation of the CESOP is part of the wider legislative package introducing new requirements to Payment Service Providers. Therefore, the work of the Expert team must be coordinated with the implementation of the new obligations foreseen in the VAT Directive for PSPs, to be carried out by the Commission services in cooperation with the MSs and the PSPs experts.

The main objectives of the proposed CESOP Expert team include:

- The development and implementation of business rules and algorithms during the development phase of CESOP;
- Supporting the Commission in the development of CESOP's functionality;
- Supporting the Commission in the development of CESOP's risk criteria for automated risk analysis;
- Supporting the Commission in other key areas.

The high-level expected outcome of creating an Expert team in relation to the development of the CESOP is to ensure the relevant functionality is effectively implemented in a way that can serve the best the users while ensuring Member States involvement and commitment to the project from the start.

The CESOP Expert Team will significantly contribute to CESOP success towards realising the following expected benefits:

- the Expert Team will contribute to establishing the processes and expertise within Member State to collaborate sustainably on CESOP;
- the Expert Team will contribute to a higher quality of the collaborative deliverables

throughout the whole process;

- the Expert Team will ensure appropriate commitment is taken by Member States in implementing the system;
- The Expert Team will ensure the data is workable for CESOP by contributing to the development of the electronic format to transmit the data.

The duration of the action is 24 months.

The proposal has been discussed in the Council and implementation work can start as the political agreement has been reached.

Description of the activities to be funded by the grant awarded without a call for proposals on the basis of Article 195(f) of Regulation (EU, Euratom) 2018/1046.

This grant will fund activities on:

- Providing governance and strategic support in the development and implementation of business rules and algorithms during the development phase of CESOP;
- Support the processes and expertise within Member State to collaborate sustainably on CESOP;
- Supporting Member States in reaching a higher quality of the collaborative deliverables throughout the whole process;
- Supporting Member States in ensuring the data is workable for CESOP by contributing to the development of the electronic format to transmit the data.

Essential eligibility, selection and award criteria

This grant is awarded on the basis of the following criteria:

Eligibility criteria

The beneficiaries of the grant will be the Member States and other eligible countries fulfilling the conditions for participation listed in Article 3 of Regulation (EU) No 1286/2013, under a grant agreement with multiple beneficiaries. The proposed activities correspond to the eligible actions listed in Article 7(1)(a)(v) of Regulation (EU) No 1286/2013.

Selection criteria

In accordance with Article 198(5)(c) of Regulation (EU, Euratom) 2018/1046, the financial and operational capacities of the beneficiaries will not be verified, since the beneficiaries are public bodies.

Award criteria

The grant will be awarded based on its relevance, conformity and Union added value, its methodological and organisational qualities, its management and the dedicated resources, the expected results and value-for-money.

Implementation

BY DG TAXUD

Indicative timetable and indicative amount of the grant awarded without a call for proposals

Reference	Date	Amount
Expert team for Central Electronic System Of Payment data exchange (CESOP)	Q2/Q3 2020	EUR 420 000

Maximum possible rate of co-financing of the eligible costs

Description of the grant

The grant will take the form of a combination of:

- Reimbursement of the following eligible costs actually incurred by the beneficiaries for the following items:
 - (g) costs for travel up to 100%
 - (h) costs for hosting officials up to 100%
 - (i) direct staff costs up to 50%
 - (j) depreciation costs for equipment needed for the project (only depreciation costs pro rata for the duration of the expert team), up to 75%
 - (k) costs for subcontracting, (external services for hiring special expertise, limited in volume and to non-essential parts of the project), up to 75%
 - (l) other direct costs (e.g. organisational costs for events, printing promotion material, purchase of consumables and supplies needed for the project) up to 100%.
- Reimbursement on the basis of unit costs for daily allowances and accommodation costs for national delegates. The amounts to be used are those listed in the Commission Decision for the general implementing provisions adopting the guide to missions for officials and other servants of the European Commission in force at the time of the signature of the grant agreement. The list of unit costs shall be annexed to the grant agreement.
- Reimbursement on the basis of a flat rate for indirect costs (overheads), corresponding to 7% of all eligible direct costs.

1.3. Procurement

The overall budgetary allocation reserved for procurement contracts in 2020 amounts to EUR 25 271 600. To this end, it is estimated to sign about 45 specific contracts under existing or new multi-annual framework contracts.

1.3.1. Procurement for IT Capacity Building Actions

LEGAL BASIS

Articles 5(2) and 7(1)(b) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and

appropriate, by 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.

BUDGET LINE

14 03 01

Subject matter of the contracts envisaged

In 2020, the Commission intends to undertake IT Capacity building activities through contracts following public procurement. It concerns notably the development, maintenance, operation, and quality control of Union components of the existing and new European Information Systems with a view to ensure interconnecting taxation authorities.

The total indicative amount of the procurement is EUR 23 090 000²³ and will be divided as follows:

- The network (CCN/CSI including CCN2 development): EUR 3 500 000;
- Development and maintenance of taxation systems: EUR 5 500 000;
- Support for taxation systems: EUR 12 090 000;
- Quality control for taxation systems: EUR 2 000 000.

Type of contract and type of procurement

Procurement of services will be undertaken through specific contracts under existing or new framework contracts or through administrative arrangements, service level agreements or memoranda of understanding with other DGs/Services.

A new invitation to tender for services expected to be launched in 2020:

- Replacement of Taxation XDEV contract: Provision of services to cover the specifications, development maintenance and support of taxation policy related information systems. The information systems in scope are either Trans-European Systems (TES), distributing the logic among countries (Member States and a number of third-countries or international organisations), or centralised systems, developed and hosted by the European Commission and provided for use to the respective Member States and associated third-parties. The framework contract services also cover possible Europa website-facing interfaces of the latter systems. Estimated publication of the procurement procedure: Q2 2020. The indicative amount of the framework contract will be EUR 90 000 000 (divided between the Fiscalis 2020 and its anticipated successor programme) with a maximum duration of 8 years.
- Replacement of CCN WAN contract: Provisions of Wide Area Network services for the CCN/CSI (Common Communication Network/Common System Interface). This call for tender will be launched only in case DIGIT does not establish Future Pan European Network (FPEN/TESTA) framework contract that TAXUD can use. In case TAXUD will have to launch the call for tender the budget will be divided between Customs 2020 and Fiscalis 2020 and their anticipated successor

²³ The specific contracts are usually shared with budget line 14.0201 Customs 2020. Thereby the actual value of the specific contracts will be higher.

programmes (estimated ratio 60% Customs 2020 and 40% Fiscalis 2020). Estimated publication of the procurement procedure: Q2 2020. The indicative amount of the framework contract will be EUR 25 000 000 with a maximum duration of 8 years.

Indicative number of contracts envisaged: 35 specific contracts to be signed in total on new framework contracts.

Indicative timeframe for launching the procurement procedure

Q2 2020

Implementation

BY DG TAXUD

1.3.2. Procurement for Joint Actions and Common Training Activities

LEGAL BASIS

Articles 5(2), 7(1)(a)(vii) and (viii) and 7(1)(c) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and appropriate, by 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.

BUDGET LINE

14 03 01

Subject matter of the contracts envisaged

In 2020, the Commission intends to undertake activities through contracts following public procurement notably:

- Specification, development, maintenance, support and dissemination of common taxation training (e-learning, blended learning), online collaboration services and staff performance building services;
- Studies and scientific support (e.g. typology, data collection and comparative analyses in taxation);
- Communication and Information Support, including translations;
- Programme support activities;
- IT Collaboration support activities.

The total indicative amount of the procurement is EUR 2 181 600²⁴ and will be divided as follows:

²⁴ The specific contracts are usually shared with budget line 14.0201 Customs 2020. Thereby the actual value of the specific contracts will be higher.

- Common Taxation Training: EUR 1 483 000;
- Studies, scientific and communication and information support, programme support, IT Collaboration support: EUR 698 600.

Type of contract and type of procurement

Procurement of services will be undertaken through specific contracts under existing or new framework contracts, administrative arrangement with JRC (Joint Research Centre) or service level agreement with Directorate General for Translations.

- A new invitation to tender procedure was launched in Q2 2019 to provide services supporting multi-faceted EU Training and staff development programmes and eLearning development in the field of customs and taxation. This new framework contract should ensure the continuation of expert consultancy service provision in the aforementioned areas which is currently provided under the BTRAIN-3 framework contract (FWC TAXUD/2015/CC/135).

The contract will be shared by Customs 2020 and Fiscalis 2020 and their anticipated successor programmes, subject to the final agreement on the next Multiannual Financial Framework and the financial provisions of the future Customs and Fiscalis programmes (estimated budget ratio of 70% Customs 2020 and 30% Fiscalis 2020).

The publication of the procurement procedure: Q2 2019

Estimated value of the framework contract: EUR 18 000 000 with a duration of 6 years.

Indicative number of contracts envisaged: 10

Implementation

BY DG TAXUD

1.4. Other expenditures

1.4.1. *Reimbursement of external experts participating in programme activities*

LEGAL BASIS

Articles 5(2) and 7(1) of Regulation (EU) No 1286/2013

Specific objective: To support the fight against tax fraud, tax evasion and aggressive tax planning and the implementation of Union law in the field of taxation by ensuring exchange of information, by supporting administrative cooperation and, where necessary and appropriate, by 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.

Article 4 of Regulation (EU) No 1286/2013

External experts may be invited to contribute to selected activities organised under the Programme wherever this is essential for the achievement of the objectives referred to in Articles 5 and 6 of Regulation (EU) No 1286/2013. The external experts shall be selected by the Commission together with the participating countries, on the basis of their skills, experience and knowledge relevant to the specific activities.

BUDGET LINE

14 03 01

Amount

EUR 50 000

Description and objective of the implementing measure

This measure allows support the participation of external experts in selected activities wherever this is essential for the achievement of the objectives referred to in Articles 5 and 6 of Regulation (EU) No 1286/2013.

APPENDIX 1 TO THE ANNEX: FISCALIS POLICY PROJECTS TO WHICH FISCALIS 2020 PROGRAMME JOINT ACTION GRANT ACTIVITIES COULD CONTRIBUTE IN 2020²⁵

This appendix describes the policy files in which the Fiscalis 2020 programme joint actions may be called upon. The Fiscalis 2020 is one of the tools that may play a role in the design, implementation and follow-up of the policy items mentioned below.

1. SUPPORT THE FIGHT AGAINST TAX FRAUD, TAX EVASION AND AGGRESSIVE TAX PLANNING

Union coordinated action is essential to securing greater fairness and economic efficiency in the internal market. Tax fraud and tax evasion threaten the fairness and the economic efficiency and limit the capacity of Member States to collect taxes and implement their economic and social policies. The proceeds of tax fraud also feed money laundering and terrorist financing channels. As the problem knows no borders, it can only be solved effectively with concerted and joint efforts amongst Member States and coordinated approach in the administrative cooperation with third countries.

The activities organised under this heading will support this cooperation amongst Member States to combat tax fraud, tax evasion and tax avoidance²⁶, by ensuring tax transparency and a fair and efficient corporate tax system in the Union²⁷ as well as by preventing aggressive tax planning and creating a level playing field for all businesses²⁸. Tackling fraud, helping digital economy and e-commerce²⁹ with regard to VAT also remain high priorities on the Union agenda and the projects herein aim at addressing these issues.

1.1. Administrative cooperation and the fight against tax fraud – Value Added Tax

The new Regulation (EU) 904/2010 of 7 October 2010 on administrative cooperation on VAT has introduced enhanced cooperation instruments that need to be financed under the programme. This includes Eurofisc meetings, the extension of the Expert Team for developing and using the Transaction Network Analysis tool and the exchange of information with OLAF, Europol and customs authorities, as well as administrative enquiries carried out jointly³⁰. Future activities of cooperation between tax authorities and other authorities involved in economic crime should be supported by the programme.

As a follow-up of the VAT e-commerce package (Council Directive (EU) 2017/2455 of 5 December 2017) which will enter into application in January 2021 and for which

²⁵ The Fiscalis 2020 programme joint action projects respects the fundamental rights as enshrined in the Charter of Fundamental Rights of the European Union.

²⁶ COM(2012) 351 final - Communication from the Commission to the European Parliament and the Council on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries and COM (2012) 722 final - Communication from the Commission to the European Parliament and the Council - An Action Plan to strengthen the fight against tax fraud and tax evasion.

²⁷ COM(2015) 302 final - Communication from the Commission to the European Parliament and the Council - A Fair and Efficient Corporate Tax System in the European Union: 5 Key Areas for Action.

²⁸ COM(2016) 23 final - Communication from the Commission to the European Parliament and the Council: Anti-Tax Avoidance Package: Next steps towards delivering effective taxation and greater tax transparency in the EU, 28.1.2016.

²⁹ COM(2016) 148 final, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT Towards a single EU VAT area - Time to decide, 7.4.2016.

³⁰ New Article 28(2a) in Council Regulation (EU) No 904/2010.

implementation work is ongoing, the Commission presented a legislative package (COM(2018)812 and COM(2018)813 of 12 December 2018) to introduce a European database for the centralisation and exchange of payment data collected by Member States in order to detect e-commerce VAT fraud (Central Electronic System Of Payment data exchange - CESOP). The Council reached a political agreement on the package during the ECOFIN meeting of 8 November 2019. Formal adoption is expected after the opinion of the European Parliament is delivered. Once adopted, the Commission will start the work on the implementation of the package. Actions regarding the IT aspects of the VAT e-commerce package are planned for 2020. New activities will be undertaken to help tax compliance and the fight against fraud, including to explore the use of new technologies.

1.2. The fight against tax fraud, tax evasion and aggressive tax planning – Excise duties

Excise fraud is a growing issue costing Member States billions in un-collected taxes and, in certain cases, threatening the EU citizens' health and environment. Excise goods are particularly lucrative for organised crime groups due to potentially enormous profits that can be earned with fraud. Despite Member States having tools to monitor the movement of certain types of excise goods, excise fraud is still a major problem. The reason is that the tools can be abused and certain categories of products that could be put to excisable use are not moved under those tools.

In addition, there is a different level of interest among different Member States towards excise fraud as different levels of taxation exist and, as a result, different perceptions of the problem. In addition, there are substantial differences in control practices and processes for granting authorisations among Member States. Therefore, there is room for improvement in gathering good practice and providing guidance on the essence of the problem and how it could be dealt with.

1.3. The fight against tax fraud, tax evasion and aggressive tax planning – Direct taxes and other taxes

In its Communication on tax transparency to fight tax evasion and avoidance³¹, the Commission listed six measures, i.e.: establishing transparency for tax rulings; streamlining legislation on the automatic exchange of information; assessing potential further transparency actions; reviewing the Code of Conduct on Business Taxation; working towards better quantification of the tax gap and promoting greater tax transparency internationally.

This Communication was followed by a detailed Action Plan on corporate taxation which identifies 5 key areas where EU action would be the most effective way to tackle corporate tax challenges and to target particular types of abuse: the Common (Consolidated) Corporate Tax Base, ensuring fair taxation where profits are made, additional measures for a better business environment, further progress on tax transparency and EU tools for coordination.

Furthermore, the Commission released a chapeau communication³² to kick off an anti-tax avoidance package for fairer, simpler and more effective corporate taxation. The overall package aims at preventing aggressive tax planning, boost tax transparency and create a level

³¹ COM(2015) 136 final - Communication from the Commission to the European Parliament and the Council on tax transparency to fight tax evasion and avoidance, 18.3.2015.

³² COM(2016) 23 final - Communication from the Commission to the European Parliament and the Council: Anti-Tax Avoidance Package: Next steps towards delivering effective taxation and greater tax transparency in the EU, 28.1.2016.

playing field for all businesses to ensure that companies pay tax in the country where their profits are made. The key features of the package include legally-binding measures, implemented³³ by the Member States', to block the most common methods used by companies to avoid paying tax; a recommendation to Member States on how to prevent tax treaty abuse; a proposal for Member States to share tax-related information on multinationals operating in the EU; actions to promote tax good governance internationally and a new EU process for listing third countries that refuse to play fair.

Supporting Member States in assessing budgetary impacts of reforms in business taxation and notably, the Common Corporate Tax Base is very important.

Finally, the global economic interdependence and the interaction of national tax rules can lead to double taxation or double non-taxation of multinationals. In the area of transfer pricing, multinational enterprises and tax administrations are confronted with practical problems in pricing cross-border transactions between associated enterprises for tax purposes.

There is also empirical evidence of profit shifting to low tax jurisdictions through manipulation of the transfer pricing system. Therefore, programme initiatives, such as presence in administrative offices and participation in administrative enquires and simultaneous controls (referred in Fiscalis as multilateral controls - MLC), are required to help identify solutions for cross-border tax problems such as double taxation and problems related to collecting taxes due by companies established in another Member State.

At the same time, there is a need to ensure that tax systems are also efficient, to support a stronger and more competitive economy by addressing issues related to double taxation. The main aim of Council Directive (EU) 2017/686 on tax dispute resolution mechanisms in the EU is to ensure the effective resolution of disputes concerning the interpretation and application of bilateral tax treaties and the Union Arbitration Convention, in particular disputes leading to double taxation for businesses and citizens³⁴. On 1 July 2019, the directive entered into force.³⁵ To support its application, the Commission and Member States have established a Fiscalis project group with the aim to explore possibilities to set up a permanent body (standing committee) to deal with arbitration cases in the area of direct taxation.

In December 2017, the Commission put forward the Code of Conduct on Withholding Tax.³⁶ The aim of the Code is to reduce the challenges faced when investing cross-border within the Union. Its implementation should result in quick, simplified and standardized procedures for refunding withholding taxes where appropriate. As follow up with the Code, the Commission and Member States meet regularly in the form of Fiscalis workshops to ensure that the Code of Conduct delivers tangible results.

1.4. Risk management

Improving risk management is an important element of an effective strategy to fight against tax fraud and tax evasion. Tax administrations have to deal with a wide scope and a high number of risks. This may concern *inter alia* risk of non-compliance including risk of tax fraud and risk of insolvency by the taxpayer. In order to achieve a higher level of risk management in all Member States and to assist Member States to reduce their tax gap, the Commission will support the risk management area by sharing good administrative practices.

³³ Council Directive (EU) 2016/1164.

³⁴ Council Directive (EU) 2017/1852.

³⁵ http://europa.eu/rapid/press-release_IP-19-3377_en.htm

³⁶ The Code of Conduct is available online at:

https://ec.europa.eu/taxation_customs/sites/taxation/files/code_of_conduct_on_withholding_tax.pdf

Special focus should be put on risk management in relation to the automatic exchange of information further to the exchanges under the EU legislation on administrative cooperation.

In order to enhance the effectiveness of both EU and Member State actions, as well as to limit the burden placed on Member States by the obligations to provide information and other forms of mutual assistance, it should be explored if and how all information exchanged between Member States can be used across all tax fields (registration, declaration, collection, enforcement). This will avoid Member States asking other Member States information that they already have received, but under a different legal base. At the same time, using all information available will improve the quality of the risk management tools.

2. SUPPORT THE IMPLEMENTATION OF UNION LAW IN THE FIELD OF TAXATION BY SECURING EXCHANGE OF INFORMATION VIA THE EUROPEAN INFORMATION SYSTEMS BUILDING

This heading includes projects that aim to support the development, maintenance and operation of European Information Systems (EIS). The EIS play a vital role in interconnecting tax authorities and thus facilitating the coexistence of 28 taxation systems in the Union. They allow information to be exchanged rapidly and in a common format which can be recognised by all Member States. A closed and secure Common Communication Network/Common Systems Interface (CCN/CSI) enables this information exchange.

This heading also addresses the issue that tax EIS or national IT systems are often developed in isolation both from a geographical and reusability perspective for which alternative approaches are being put in place through the programme. To enhance the fight against in particular VAT fraud, smooth exchange of information, including by exploring interconnectivity possibilities with law enforcement bodies, is vital and should be envisaged.

2.1. Development, operation and maintenance of and horizontal support to European Information Systems (EIS)

To implement the EU tax policy, the development, operation, maintenance of, and horizontal support to existing or new European Information Systems (EIS) should be carried out. The continuity, integrity and availability of the existing IT systems and their corrective maintenance and evolution should be ensured. An operational environment needs to be available which meets the EIS requirements.

Moreover, it is necessary to ensure that an overall quality of the EIS is achieved through continuous improvement. Efficient management of projects, timely deliverables and respect of the budget are to be achieved. The services should be delivered according to expectations within the framework of the TEMPO methodology. Security requirements should be fulfilled. The taxation EIS security policy should respect the taxation legal instruments. The use of standards and best practices, including for the security aspects of the development, deployment and operations of the EIS for taxation, needs to be further supported and enhanced.

2.2. IT collaboration

Currently, the tax EIS are at national level mostly developed in isolation both from a geographical and reusability perspective. This practice impairs the capacity of IT to deliver in years to come. Closer collaboration across taxation domains and across Member States is expected to merge requirements and expertise and thereby significantly increase cost-effectiveness and quality of tax EIS. A managed IT collaboration will allow increasing the number of IT activities shared between Member States as well as increasing the number of

reusable components across the taxation areas. This will reduce the costs for IT implementation, deployment and operation in the Member States while offering increased quality and agility in responding to the EU policy expectations.

The Commission will continue to promote, facilitate and support IT collaboration initiatives among interested Member States with the overall objective of supporting an efficient and effective implementation of Union law in the field of taxation.

3. SUPPORT THE IMPLEMENTATION OF UNION LAW IN THE FIELD OF TAXATION BY SUPPORTING ADMINISTRATIVE COOPERATION

In a global environment, tax fraud and tax evasion appear not only within a country but also across countries and beyond the EU. Uncoordinated, single national actions to fight against tax fraud and evasion and recover the tax due will not be effective. It is important that countries coordinate and exchange information with each other. This heading therefore contains projects that support the administrative cooperation amongst Member States and with third countries as provided for by the EU law.

3.1. Administrative cooperation between Member States and with third countries – horizontal actions

The Union legislation on administrative cooperation and fight against fraud in the field of indirect and direct taxes provides the Member States with the legal and practical instruments and tools to engage in effective administrative cooperation (Council Regulations (EU) No 904/2010³⁷ and (EU) No 389/2012³⁸ and Council Directive 2011/16/EU³⁹ and their amendments). In particular, in the area of direct taxation, the internal market requirements and the increased globalisation brought developments in the legal provisions governing the area.

Firstly, Council Directive 2011/16/EU introduced the automatic exchange of information with regard to certain categories of income and capital. Secondly, as part of the intensified fight against tax evasion, Directive 2014/107/EU⁴⁰ extended the automatic exchange of information to financial items between EU tax administrations. Thirdly, it appeared necessary within the EU to ensure a more systematic and binding approach to information exchange on advance cross-border rulings and advance pricing arrangements. Directive 2015/2376/EU⁴¹ introduced the automatic exchange of information in this area. Directive 2016/881/EU⁴² introduces the country-by-country reporting on certain financial information, in line with the international developments in the OECD, i.e. Action 13 of the OECD's BEPS. A small amendment to Council Directive 2011/16/EU was made with Council Directive 2016/2258/EU⁴³ which ensures tax authorities have access to beneficial ownership information collected pursuant to

³⁷ Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (OJ L 268, 12.10.2010, p.1).

³⁸ 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 (OJ L 121, 8.5.2012, p.1).

³⁹ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L 64, 11.3.2011, p.1).

⁴⁰ Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 359, 16.12.2014, p.1).

⁴¹ Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 332, 18.12.2015, p. 1).

⁴² Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (OJ L 146, 3.6.2016, p.8).

⁴³ Council Directive (EU) 2016/2258 of 6 December 2016 amending Directive 2011/16/EU as regards access to anti-money-laundering information by tax authorities (OJ L 342, 16.12.2016, p.1).

the anti-money laundering legislation. Finally, Directive 2018/822/EU⁴⁴ introduced new transparency rules for intermediaries that design, promote, sell, and implement potentially aggressive cross-border tax planning schemes. This directive requires intermediaries to report certain schemes to their tax administrations (competent authorities), which then automatically exchange this information with all other EU Member States by uploading it on a central directory to be made available by the Commission by the end of 2019. It will become applicable as of 1 July 2020.

At international level and given its long-standing experience in administrative cooperation, the EU tackles tax fraud and tax evasion by providing its expertise and by taking an active part in the work carried out by the OECD Working Parties 2 and 10 and the Global Forum on Transparency and Exchange of Information for Tax Purposes ("the Global Forum"). Those fora are in charge of the implementation among their members of the international standards on transparency and exchange of information.

Furthermore, as Member States work to coordinate their corporate tax policies within the Single Market, in order to counter-act abusive tax practices and ensure effective taxation, they also need to address their divergent approaches to tackling external base erosion threats. A Commission Communication⁴⁵ proposed in 2016 a framework for a new Union external strategy for effective taxation. In the Communication, key measures are identified that can help EU to promote tax good governance globally, tackle external base erosion threats and ensure a level playing field for all businesses.

The programme will also support international administrative cooperation in the field of VAT, as is the case of the EU-Norway agreement.

3.2. Administrative cooperation between Member States and with third countries – exchange of information

Under the Union legislation on administrative cooperation, the Commission is assisting Member States in their efforts to engage in effective administrative cooperation by providing them with the practical tools and instruments they need, such as electronic formats for exchange of information and secure channels of communication. It is necessary to improve the existing instruments for exchange of information and develop new ones according to the evolution of the legislation, and promote the most effective use of practical IT tools.

In the field of direct taxation, administrative cooperation with third countries is also important, as taxpayers become more mobile, the number of cross-border transactions increase and capital markets become global. Therefore, many initiatives are taken on the international scene, e.g. the Standard on the Automatic Exchange of Financial Account Information and BEPS. The Commission will assist Member States in the proper and timely implementation of these actions in the Union. The conclusions of the Commission report on automatic exchange of information (AEOI) has been presented to the Council and the European Parliament at the end 2018, as well as the finding of the more comprehensive evaluation of administrative cooperation in April 2019, will contribute to steer the Fiscalis 2020 activities in 2020 with regard to administrative cooperation in direct taxation and AEOI.

⁴⁴ Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (OJ L 139, 5.6.2018, p. 1).

⁴⁵ COM(2016) 24 final, Communication from the Commission to the European Parliament and the Council on an External Strategy for Effective Taxation, 28.1.2016.

In the field of indirect taxation, an approach at EU level to establish administrative cooperation with third countries in the area of VAT is needed. This cooperation should also include cooperation in the field of recovery.

3.3. Means of administrative cooperation other than exchange of information

Besides the exchange of information, the Union legislation on administrative cooperation provides to Member States also other means of administrative cooperation, i.e. MLC and presences in administrative offices and participation in administrative enquiries. The use of these means of administrative cooperation and their operation has to be enhanced by identifying and disseminating good practice as regards their organisation for all tax related areas, through better project management techniques, improved communication and enhanced use of risk criteria and success indicators.

The amendments made to Regulation (EU) No 904/2010 also include two new administrative cooperation instruments: mandatory administrative enquiries and administrative enquiries carried out jointly.

A single platform will coordinate the use and monitoring of the different instruments in all tax areas (VAT, direct taxation, excise duties, recovery).

3.4. Mutual recovery assistance and national tax collection and recovery

A 2017 report on the evaluation of Council Directive 2010/24/EU for mutual recovery assistance⁴⁶ revealed the need to improve mutual assistance.

Focus will be on identifying possibilities to improve tax collection or recovery at national level (and the monitoring thereof) as this is a prerequisite for a more successful recovery assistance. Activities will also address the international framework for recovery assistance.

Fiscalis activities could also contribute to a better understanding and implementation of different complex aspects of recovery assistance, taking account of the growing awareness of the need to respect taxpayers' rights. On this point, business organisations, taxpayers and other stakeholders could be involved.

4. SUPPORT THE IMPLEMENTATION OF UNION LAW BY ENHANCING ADMINISTRATIVE CAPACITY OF PARTICIPATING COUNTRIES WITH A VIEW TO ASSISTING IN REDUCING ADMINISTRATIVE BURDEN OF TAX AUTHORITIES AND COMPLIANCE COSTS FOR TAXPAYERS

Tax administrations and tax systems of participating countries should be supported and improved on the one hand, to deliver the best results for the tax administrations and the tax payers, and on the other hand, to enhance the relationship between the tax authorities and the taxpayers. To support tax administrations in their efforts, the Commission has established a strategic dialogue TADEUS to steer and follow-up on projects addressing their common challenges. This heading contains projects aiming at these purposes.

4.1. Well-functioning tax systems in programme participating countries

Tax systems should be made more growth-friendly to promote job creation and investment and to facilitate tax collection. It is important to reduce the costs and complexity of tax systems, while making them more efficient. The Commission will encourage and support

⁴⁶ Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures (OJ L 84, 31.3.2010, p.1).

exchange of best practices amongst the countries in need of reinforcing their tax systems to boost growth friendly fiscal consolidation while increasing compliance and reducing costs for taxpayers and tax administrations.

Coordination to ensure complementarity between Fiscalis 2020 and the Structural Reform Support Programme⁴⁷ is regularly taking place to deal with the technical assistance requests from Member States in the tax field.

4.2. Well-functioning tax administrations in programme participating countries

Effective and efficient tax administrations are key for collecting the taxes due. Tax administrations should be solid in terms of structural mechanisms and all should be brought on the same level playing field to ensure a smooth cooperation and the co-existence of diverse tax systems in the internal market.

Furthermore, building trusted tax administrations and related systems is critical to ensure a good relationship with the taxpayers. It is important to remove tax disincentives to the exercise by Union citizens of their right to free movement within the internal market such as the absence of information that Union citizens often face when active across borders within the Union. Communicating effectively on the activities of tax administrations particularly in relation to information for citizens will be an important element in achieving these goals. Communication on new actions and developments will be of particular importance.

Directive (EU) 2017/1852 lays down rules on how disputes should be resolved between Member States in order to eliminate double taxation for businesses and citizens. The implementation of the Directive raises issues in which knowledge and good practice sharing will be necessary. The Directive also requires setting up an Advisory Committee of national experts and, under Article 10 of the Directive, the possibility of establishing an Alternative Dispute Resolution Commission.

The Commission will encourage and support Member States in developing or applying existing assessment and self-assessment performance tools, aiming at improving the effectiveness of their tax administration and increasing tax compliance.

Specific support can also be provided to pool good practices to deal with the recommendations on revenue administration addressed to one or several Member States.

4.3. Training and competency building

Training and competence development for tax professionals in the Union follows by nature specific national educational concepts of individual national tax administrations. It is consequently highly fragmented across the Union. From a Union perspective, the resulting difference in staff performance requires more common training and competency-building reference benchmarks to align levels of knowledge and skills of tax professionals and thus contribute to a more consistent tax performance level across the Union.

Boosting education and training of public sector staff in the field of taxation is acknowledged as being an essential pillar of efficient and effective administrative capacity building within the Union. To support the optimisation of current and future education and learning capacity of the Union's tax administrations, a series of concrete tax training and staff development actions are taken by the Commission in cooperation with national administrations every year

⁴⁷ Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013 (OJ L 129, 19.5.2017, p. 1).

on the basis of a commonly agreed EU Learning & Development Action Plan for Customs and Taxation (2017 to 2020)⁴⁸.

This multi-annual Union training & development action plan provides a framework for a common training and education infrastructure that supports Member States in ensuring that their staff has the skills and knowledge sets they need to deliver optimal and most consistent tax services and to prepare the profession as well as their administrations for the future challenges that taxation is facing.

It targets four key objectives until end 2020:

- (1) Providing EU reference standards through European Competency Frameworks for the tax profession;
- (2) Supporting common tax educational reference programmes (vocational, academic, leadership);
- (3) Fostering shared training and staff development;
- (4) Enhancing common training infrastructure, networking and communication.

Within this scope, the Union Training focus lies in 2020 on continuing the development of integrated training and staff performance building concepts for EU tax administrations. It will in particular build on the new EU competency framework for tax administrations (TaxComp^{EU}, a consensus view of the optimal set of knowledge, skills and behaviours required by tax professionals in the Union developed with the aim to harmonise and raise tax performance standards throughout the Union) for which the baseline reference standards were finalised in 2019, e.g. through the development of TaxComp^{EU}-conform common tax reference training programmes. Further support will be provided to TaxComp^{EU}'s roll-out and national implementation throughout 2020 for interested national tax administrations, using synergies and spill-over effects from the EU Customs Competency Framework (CustComp^{EU}, competency framework developed in the area of customs) as appropriate.

Priority training support in 2020 is given to tax subject areas, which are flagged (under the various subject matter projects) throughout this document, and which require further consistency in tax staff performance, implementation support for new or amended common legislation or enhanced need for union-wide sharing of national best practise and tools.

Such support will be provided through further union-wide sharing of national best practise and tools be it in form of nationally usable eLearning development (e.g. related to Tax IT systems like eForms Central Application (eFCA) focusing specially in direct taxation related forms or excise general arrangements Excise Movement Control Systems (EMCS), VAT and excise related law cases and alike) or through a further extended Common Learning Events Programme (CLEP).

This is complemented by developing innovative conceptional common training solutions that supplement the standard eLearning modules development concept, such as NanoLearnings (e.g. on tax intermediaries reporting rules), eBooks and training webinars, to further support the consistent implementation of legislative and operational tax activities EU-wide in an effective and efficient way.

⁴⁸ SWD(2017) 34 final - Boosting customs and tax performance in the EU through training and staff Development: EU Learning & Development Action Plan for Customs and Taxation (2017 – 2020).

4.4. Operational procedures and working methods

Common understanding and coordinated and improved application of working methods in operational procedures require intensive and systematic cooperation, exchange of information and sharing of good practices among the tax officials who carry out operational tasks. Among others, exchanging good practices on how to identify cross-border taxpayers in the context of the automatic exchange of information can lead to better tax administration and enforcement and to more efficient tax collection, thereby contributing to reduce the tax gap.

Modern technologies, concepts and approaches can facilitate tax administrations in performing everyday tasks to meet effectively their strategic challenges with available resources.

The administrative capacity of the Member States to use electronic audit techniques should be reinforced. E-audit experts in the participating countries should exchange good practices, and develop common approaches towards e-auditing.

5. SUPPORT THE IMPLEMENTATION OF UNION LAW AND LEGISLATION

This heading of the Annual Work Programme contains projects that are aimed to enhance the understanding of Union tax law, in all taxation domains with a view to support its implementation and reform. Programme activities are organised in particular to address the constant developments in the area of tax legislation and evolution of the application of Union law by the courts of Member States and the Court of Justice of the European Union.

5.1. Consistent implementation of Union law in the field of VAT

The Commission supports a consistent understanding and implementation of the Union VAT legislation (i.e. Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax⁴⁹, and its implementing provisions) and case law of the Court of Justice of the European Union.

There is a genuine need to address in a systematic way all conflicts of law due to national divergences, in particular in the interpretation of the place of supply rules, and to provide for a dialogue between Member States and stakeholders on Union law in the field of VAT implementation and evolution.

In the field of e-commerce, activities supported by the Fiscalis and Customs programmes will continue in order to ensure a smooth implementation of the new legislation.

A number of VAT provisions are no longer fit for purpose due to fast-paced technological developments in the global economy during recent years. Legislative changes in taxation take time whilst the economic reality evolves rapidly. A reform of the VAT treatment of financial and insurance services, which had to be abandoned some years ago due to lacking unanimity, is now long overdue and urgently requested both by Member States and stakeholders, in order to tackle issues caused by economic and technological developments in that sector.

5.2. Consistent implementation of Union law in the field of excise duties

Excise goods that are moved between Member States can be subject to different national procedures and differing interpretations of Union law. A consistent implementation of Union law (including of Council Directive 2008/118/EC of 16 December 2008 concerning the

⁴⁹ OJ L 347, 11.12.2006, p. 1.

general arrangements for excise duty and repealing Directive 92/12/EEC⁵⁰) in this area is needed, both in the interest of trade facilitation and to assist Member States to ensure the compliance of traders with the law.

A proposal for the revision of Directive 2008/118/EC, accompanied by an Impact Assessment Report was adopted by the Commission on 25/05/2018 and presented to the Council and the Parliament. This proposal aims mostly at improving the interface between the excise and customs domains (where excise goods are imported to or exported from the territory of the Union) and at automating procedures that are currently still paper-based for intra-Union cross-border movements of excise goods already released for consumption. This proposal, accompanied by proposed matching changes to Council Regulation (EU) No 389/2012 and Decision of the European Parliament and Council 1152/2003/EC have been discussed at length and expected to be adopted later this year.

In the area of energy, in order to follow up on the correct implementation of the Council Directive 2003/96/EC – Energy Taxation Directive⁵¹ (ETD) and increase its understanding in the Member States, it is necessary to ensure effective exchange of experience and know how in the area, especially tax exemptions/tax reductions and proper classification for certain energy products. This also includes the identification of the existing non-harmonised indirect taxes applied by Member States that cause disruptions to the functioning of the internal market. A number of practical issues might require further clarification via recommendations, or through discussions on technical level and possibly legislative proposals, taking stock as well of the findings of the evaluation of the Energy Taxation Directive, finalised in September 2019. In the framework of the EU Green Deal the Commission will present proposals to modernise the ETD. In the addition, work will continue in 2020 on a Carbon Border Tax.

In the area of alcohol excise (regulated under Council Directive 92/83/EEC⁵² - Structures of excise duties on alcohol and alcoholic beverages; Council Directive 92/84/EEC – Rates of excise duties on alcohol and alcoholic beverages), harmonization and clarification is needed to both reduce the opportunities for fraud, and lessen the administrative burden for both Member States and the legitimate economic operators.

For that reason a proposal for the revision of Directive 92/83/EC, accompanied by an Impact Assessment Report was presented to the Council and the Parliament in May 2018. The proposal is under negotiation in the Council.

In the area of excisable tobacco products, the Commission is finalizing the evaluation of Council Directive 2011/64/EU.

The evaluation looks at the implementation of the different provisions of the Directive, and assesses its application by the Member States. In particular, this evaluation analyses the effect of the minimum rates and structures of excise duty applied on manufactured tobacco. The evaluation assesses to which extent these provisions have contributed to:

- ensuring the proper functioning of the internal market;
- providing a high level of health protection and
- fighting against tax fraud, tax evasion and illegal cross border shopping.

⁵⁰ OJ L 9, 14.1.2009, p.12.

⁵¹ Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity (OJ L283, 31.10.2003, p.51).

⁵² Council Directive 92/83/EEC of 19 October 1992 on the harmonization of the structures of excise duties on alcohol and alcoholic beverages (OJ L 316, 31.10.1992, p.21).

This evaluation also covers the outstanding issues identified in the 2018 Commission Report such as the possibility to introduce an explicit category for e-cigarettes and heated tobacco products. As these markets were only emerging and rapidly evolving, sufficient data were not available to support a final position at the time when the Report was issued.

The above action point on “fighting against fighting against tax fraud, tax evasion and illegal cross border shopping” is also the opportunity to follow up on recommendations from the Protocol to Eliminate Illicit Trade in Tobacco Products (Protocol to the WHO Framework Convention on Tobacco Control). In particular, actions related to a better control and monitoring of the supply chain and notably raw tobacco are of particular relevance.

For both, alcohol and tobacco taxation, the aim is to reduce administrative cost while obtaining a higher degree of compliance and security in imposing excise duties on alcohol and tobacco products.

5.3. Consistent implementation of Union law in the field of direct taxes

Most of the direct tax case law of the Court of Justice of the European Union, which creates a binding framework for policymaking, is driven and developed by means of references for preliminary ruling. It is therefore very important that national administrative (tax) law judges, who can make such references, have a thorough knowledge of the direct tax case law of the Court of Justice of the European Union in its broader policy context. Improving through programme activities the proper implementation of the Union direct tax case law by national administrative courts and tax administrations should eventually reduce the number of complaints addressed to the Commission in the field of direct taxation.

Other challenges follow from the recent adoption of a number of direct tax Directives. In order to reduce the number of legal issues to be raised with Member States after the completion of transposition checks in infringement proceedings, it is necessary to provide Member States' legislative experts with a possibility to discuss the issues that have come to their attention before the lapse of the transposition deadlines. Such discussions should aim at finding ways to achieve the purpose of the Directive concerned by national transposition measures taking into account the relevant international instruments and the direct tax case law of the European Court of Justice.

5.4. Consistent implementation of Union law in other Union tax policy areas

In order to support the on-going work on the Financial Transaction Tax (FTT) (and in case of adoption of a Council Directive implementing the enhanced cooperation in this area to facilitate its implementation), the Commission will support discussions with administrations and markets representatives. For the system to operate properly, Member States will be required to coordinate the functioning of the common FTT both inside the enhanced cooperation area and outside.

Programme activities may be organised in particular to address the constant developments in the area of Union law with regard to tax recovery.

Regarding the European agenda for the collaborative economy, “peer-to-peer” or “sharing economy” is a fast growing business trend and a new business model that needs better understanding and a more flexible taxation regime. To create a common taxation approach, identification of new business models and sharing related information and practices supports the better understanding of these market trends.

On 28 June 2017, the Commission adopted a proposal for a new Pan-European Personal Pension Schemes Regulation⁵³ (PEPP) and a PEPP tax recommendation. The recommendation encourages Member States to exchange best practices regarding the taxation of PEPPs and Personal Pension Products (PPPs), with a view to aligning their national criteria for granting tax incentives as much as possible and facilitating the portability of such products. It will be up to Member States to inform the Commission on the measures taken, as well as on any changes made, in order to comply with the said Recommendation.

In addition, the Commission tabled a proposal for a Digital Services Tax ('DST') in March 2018. That proposal establishes the common system of a DST on the revenues resulting from the provision of certain digital services. The proposal serves as an interim measure against the further erosion of Member States' corporate tax bases and the fragmentation of the internal market due to the development of different national measures. The negotiation in Council of the proposal has been suspended with the aim to boost a global solution at international level. The Union remains fully engaged also in ongoing discussions on a global comprehensive solution for the fair taxation by national authorities of the merely digital presence of companies on their territory.

⁵³ COM(2017) 343 final - Proposal for a Regulation of the European Parliament and of the Council on a pan-European Personal Pension Product (PEPP), 29.6.2017.

APPENDIX 2 TO THE ANNEX: INFORMATION ON TAXATION INFORMATION TECHNOLOGY PROCUREMENT ACTIONS UNDER THE FISCALIS 2020 PROGRAMME IN 2020

In addition to 1.3.1 of the Annual Work Programme, this appendix provides more detailed description of the information technology (IT) procurement actions.

The Commission and the Member States are committed to deliver efficient, effective and interoperable information and communication systems between public administrations, including between their front and back offices, in order to exchange and process public sector information across Union in a secure manner. They set up and operate secure, integrated, interoperable and accessible electronic taxation IT systems. These systems allow the electronic exchange of tax-related information between Member States. Ensuring the business and IT systems' continuity is a major responsibility under the programme since disruptions in the operation of the taxation IT systems would affect national administrations, citizens and businesses across the entire Union and hamper the functioning internal market.

The Commission, represented by the Directorate-General "Taxation and Customs Union" - DG TAXUD manages a set of procurement activities in the areas of taxation IT systems. These procurement activities target the establishment and operation of IT systems, responding to the needs of users in the Commission services as well as those located in the national administrations of the Member States, traders and citizens.

The taxation business analysis and modelling of all taxation processes are the basis for a correct IT implementation. The IT implementation is based on functional and non-functional requirements.

The IT systems and applications providing interfaces to the national administrations are called European Information Systems (EIS) or more often referred as trans-European systems. There are two major categories of trans-European systems: Central IT applications and Distributed IT systems.

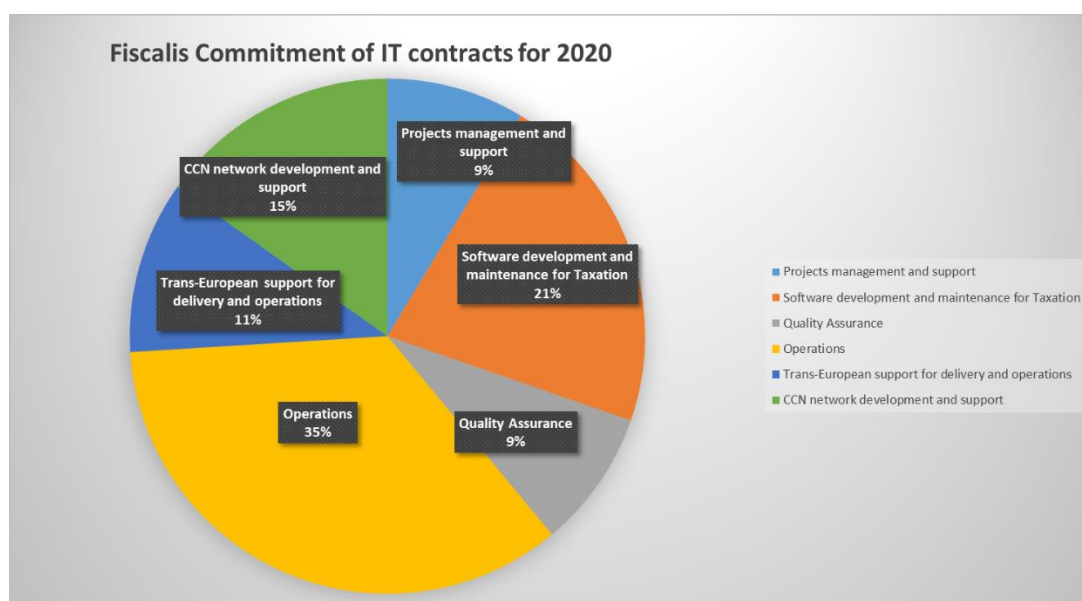
- Central IT applications: IT applications managed by the Commission, with software running on infrastructure under direct responsibility of the Commission. All these applications are Union components in function of Fiscalis 2020 Regulation, and can serve internal Commission users, national administration users, traders or the citizen in general terms.
- Distributed IT systems: IT systems managed by the national administrations, and are non-Union components of Fiscalis 2020 Regulation. For these systems, the Commission is the guardian of the common functional and technical specifications, developed in cooperation with the national administrations. The Commission also develops and operates supporting applications.

To support these trans-European systems, the Commission developed a closed and secure trans-European communication network named Common Communication Network (CCN). The Commission has operational responsibility for this network. The activities related to the CCN network and its CCN2 successor provide the infrastructure across which the trans-European systems interoperate.

Due to the volume and complexity of the trans-European systems the Commission relies on a number of outsourcing contracts to provide specific related services. The Fiscalis 2020 programme provides the full funding for the equipment and services concerning IT for

taxation performed under these outsourcing contracts. The overall budgetary allocation for IT procurement contracts in 2020 amounts to EUR 23 090 000. To this end, it is estimated to sign about 35 specific contracts under existing or new multi-annual framework contracts. These break down in:

- CCN/CCN2 network development and support: 15%;
- Software development, including maintenance of existing taxation IT systems and development of new taxation IT systems: 21%. These contracts support the lifecycle from taxation business analysis and modelling, through functional specifications, the development of software and initial tests, deployment, and support to service management of systems in operation;
- Operations: it includes all the IT activities related to the final testing, deployment, operation of existing and new taxation IT systems: 35%;
- Support of and coordination with Member States for the delivery and operations of the non-Union components of the trans-European systemsⁱ: 11%;
- Project management and support across the whole software lifecycle, including architectural evolutionsⁱⁱ: 9%;
- Quality control and assurance: 9%.



In 2020, the focus will be put on the following developments as regards the IT systems in the field of taxation (direct and indirect taxes, excise and recovery of claims).

IN THE FIELD IN OF INDIRECT TAXATION

TNA (Transaction Network Analysis)

The TNA application entered in production in April 2019. Since then, a set of Member States have tested and experimented the application. The users that have already started using TNA have provided very positive feedback and have identified changes to optimise the application and its functioning. The Commission will continue to work on those improvements in 2020.

eCommerce

In December 2017, the VAT e-commerce Directive was adopted. It extends the current MOSS (Mini One-Stop-Shop) EU and non-EU schemes to all types of goods and services and create a new scheme for the import into the EU territory of small consignments with intrinsic value below or equal to 150 EUR.

The work has already started in 2019 with the Member States as regards the common systems specifications. During 2020, the Member States will proceed with the required adaptation of the national components while the Commission will develop the central components, mainly the register of IOSS (Import One-Stop-Shop) numbers and the extension of Taxes in Europe Database (TEDB) to make the VAT tax rates available to the different stockholders. In addition, the Commission will proceed with the Conformance Testing of the Member States national systems to ensure their compliance with the Common specifications, in order to ensure a smooth entry in production as from 1 January 2021.

CESOP (Central Electronic System of Payment data exchange)

The Commission adopted in 2018 measures intended to help to establish better cooperation between tax authorities and Payment Service Providers (PSPs) in order to better combat the VAT fraud in eCommerce activities. The new rules will require PSPs to transmit payment data to tax authorities. The proposal is currently under discussion in the Council. According to it, Member States will collect the data and store it for processing in a central database hosted by the Commission. The Commission will not have access to the data. The role of the Commission will be limited to putting in place the infrastructure allowing the Member States to work on the data collected.

The Council reached a political agreement on the proposal during the 8 November 2019 ECOFIN meeting. Formal adoption is expected after the opinion of the European Parliament is delivered. Once adopted, the Commission will start the work on the implementation of the proposal.

eForms Central Application (eFCA)

In 2019 the eFCA application to support administrative cooperation in the fields of direct and indirect taxes and Recovery of Claims was deployed. In order to ensure a smooth migration from the old application, Java stand-alone, to eFCA, central and web based, only a technical migration with some improvements in terms of usability was performed. During 2020, new functionality requested by the Member States and that are now possible, will be implemented.

Special schemes for Small and Medium Enterprises

Currently, Member States can exempt sales of small companies from VAT provided such sales do not exceed a given annual turnover, which varies from one country to the next. However, these exemptions are available only to domestic players, meaning that there is no level playing field for small companies trading within the Union. The Commission adopted last year a proposal allowing the taxpayers to benefit also from these exemptions for intra-EU operations. In November 2019, the Council adopted a general approach. The procedure leading to a formal adoption of the proposal is underway. Prior to entry into force scheduled for 2025, modifications of existing IT systems are needed.

IN THE FIELD IN OF EXCISE

Excise Movement Control System (EMCS) - phase 3.4

The deployment of EMCS Phase 3.4 has been approved in the Excise Master Plan by the Committee on Excise Duties in February 2018. The remaining preparation activities for 2020 are:

- The completion of the Conformance Testing Campaign;
- Deployment mid-February 2020;
- Development of the EMCS Phase 3.3 to Phase 3.4 Converter to support the late runners.

After the deployment EMCS Phase 3.4 will be in the production and maintenance mode which involves regular updates in the reference data of the system (IE734), registration data (SEED), statistics tool (CS/MISE) and coordination activities with the national teams.

EMCS 4.0

The Excise Master Plan has approved a placeholder for the next maintenance release mid-2022. The legal framework for the new functionalities is under approval in the Council. Taking into account the tight deadlines, the preparation activities have started already in 2019 and will be continued in 2020. A full migration from the current format of the functional specifications towards business process models (BPMs) in the dedicated software tool (ARIS) will take place for this phase. The activities include:

- Development and review with MS BPMs for duty paid business-to-business processes;
- Introduction of exemption certificates in the EMCS specifications;
- A full set of the change management activities with MS and implementation in the EMCS development specifications;
- Trainings and workshops with MS;
- Change management activities for the central applications and services for Phase 4.

EMCS and Single Window

Ongoing coordination activities for moving excise product (e.g. wine) certificate data embedded in electronic Administrative Document (e-AD) to external certificates. Currently there is no legal deadline for this.

The preparation for AES and EMCS interface will start in 2020. The deployment window for AES is 2021 – 2023, reaching the full production of AES by end 2023 and alignment with EMCS in February 2024. EMCS Change Management process for this phase has not yet started. Nevertheless, the EMCS National Project teams and TAXUD EMCS contractors are participating in the review of the AES development specifications.

Withdrawal of the United Kingdom of the European Union (Brexit)

Preparation for Brexit involves several actions that have to be refreshed/updated each time the deadline of the Brexit is adjusted and approaches.

- In case of no deal, this work consists of the update by the TAXUD contractor of the reference data files and invalidation scripts in the registration database SEED, to be aligned with the latest versions of the files and system in the production at no deal date, and full rehearsal in the conformance environment.
- In case of withdrawal agreement, this work consists of launching the necessary actions via the change management process.

The National Project Teams are coordinated by TAXUD via a dedicated PICS group.

Excise Management Plan and Strategic Plan

Both documents will be reviewed and updated as soon as the 2008/118/EC is approved by the national administrations, indicating the new scope of EMCS and Excise systems.

HORIZONTAL ACTIVITIES

In addition to the above, the following horizontal, i.e. covering several business domains, will be carried out in 2020. These are:

Central Test Application (CTA):

The Commission will continue to consolidate under CTA the different legacy systems and applications used for Conformance Testing. It will imply among other:

- Migration of the existing VIES Test Application (VTA) and VIES Initial Application (VIA) used for VIES conformance testing under CTA;
- Support of CCN2 (implementing the Services-Oriented Architecture);
- Design and development of the specifications manager iterations 2.1 and 3 in order to streamline the management of the test specifications and scenarios.

Blockchain:

The Commission will pursue with the national administrations that joined this initiative the research activities with the SEED on blockchain extended Proof of Concept, with a possible start of the design of a blockchain implementation for the exchanges of IOSS numbers under eCommerce.

As regards other activities:

The Commission will continue to improve its efficiency and agility by moving to automation of testing and software deployments, as well as analysing a possible partial move to cloud and containers architecture.

Summary table of IT projects planned for taxation in 2020:

Indirect Taxation	Possible start of the implementation of the CESOP
	Evolution maintenance of eFCA
	Continuation of the implementation of CP42/63 and the eCommerce package, including design and development of the IOSS central registry, update of TEDB and eFCA
	Possible extension of TNA to cover additional data and Working Fields
	Evolution maintenance of the existing systems and applications
Direct Taxation	Continuation of the development and deployment of DAC6
	Evolution maintenance of eFCA
	Evolution maintenance of the existing systems and applications

Recovery	Evolution maintenance of eFCA
Excise	Continuation of the implementation of EMCS Ph.3.4
	Start of the design and implementation of EMCS Ph.4 and Ph.5
	Design and development of specifications manager iterations 2.1 and 3
Central Testing Application (CTA)	Migration of the existing VIA / VTA under CTA
	Support of CCN2 (implementing the Services-Oriented Architecture)
	Design and development of specifications manager iterations 2.1 and 3
Blockchain	Continuation of the research activities with the SEED on blockchain extended PoC
	Possible start of the design of a blockchain implementation for the exchanges of IOSS numbers
Other activities	Automation of testing and software deployments
	Analysis and possible start of move to containers architecture
	Analysis and possible start of move to cloud infrastructure, as regards the development / testing environments

ⁱ In chapter 1.3.1. budget needs for “Trans-European support for delivery and operations” are included in the category “Support for taxation systems”.

ⁱⁱ In chapter 1.3.1. budget needs for “Project management and support” are included in the categories “Support for taxation systems” and “Development and maintenance of taxation systems”.