

VAT GAP REPORT 2020



September 2020

WHAT IS THE VAT GAP ?

The VAT GAP is the overall difference between the expected VAT revenue and the amount actually collected.

- In 2018, the VAT Gap in the EU was **€140 billion**, equating to a total revenue loss across the EU of **11%**.
- Quantifying the scale of the VAT Gap can help to **develop well-targeted measures** and monitor their effectiveness.
- This year's report also forecasts a **potential increase of VAT revenue losses** in 2020 due to the effects of the coronavirus pandemic on the global economy. The loss is forecast to be **€164 billion in 2020**.

WHAT CAUSES THE VAT GAP ?



Fraud and tax
evasion



Corporate
insolvency



Corporate
bankruptcy



Maladministration



Legal tax
optimisation

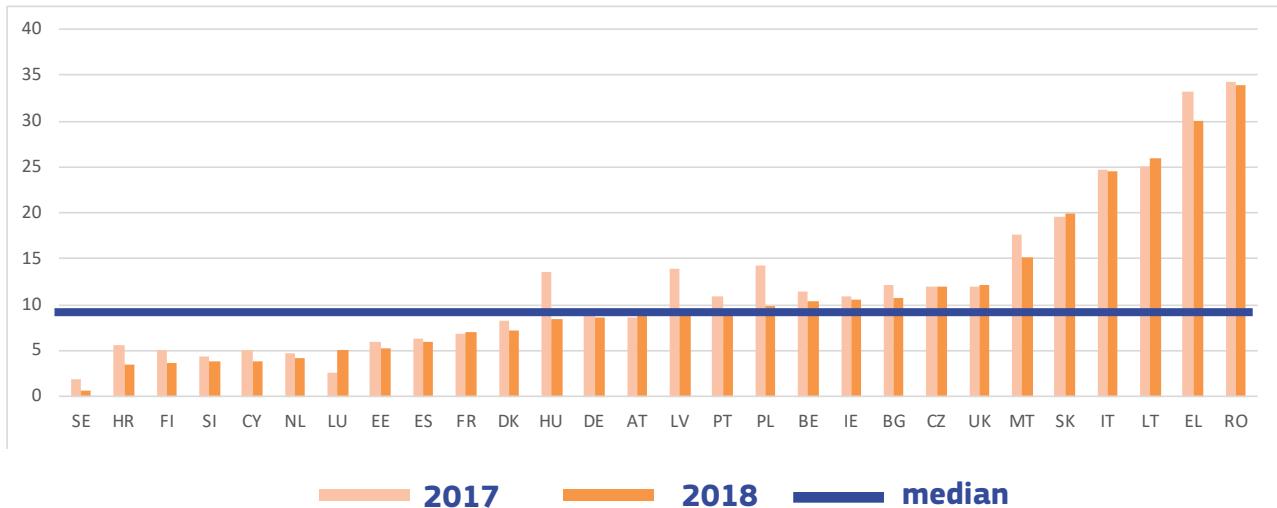


"Today's figures show that efforts to shut down opportunities for VAT fraud and evasion have been making gradual progress – but also that much more work is needed. The coronavirus pandemic has drastically altered the EU's economic outlook and is set to deal a serious blow to VAT revenues too. At this time more than ever, EU countries simply cannot afford such losses. That's why we need to do more to step up the fight against VAT fraud with renewed determination, while also simplifying procedures and improving cross-border cooperation."

Paolo Gentiloni, Commissioner for Economy

- In 2018, estimated VAT gaps ranges from 1% in Sweden, to 33.8% in Romania.
- The VAT Gap decreased in twenty-one Member States and increased in seven.

HOW DO EU MEMBER STATES FARE? (% of VAT revenues lost)



VAT GAP IN 2018 (EUR million)



Total EU-28

140,042