VAT GAP REPORT
SEPTEMBER 2019

September 2019

WHAT IS THE VAT GAP ?

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

- In 2017 the VAT Gap amounted to €137.5 billion in the EU. This equates to a **total revenue loss across the EU of 11.2%**.
- **VAT is a major source of tax revenue in the EU**. Quantifying the scale of the VAT Gap can help to develop well - targeted measures and monitor their effectiveness.

WHAT CAUSES THE VAT GAP ?

Fraud and tax evasion

Corporate insolvency

Corporate bankruptcy

Maladministration

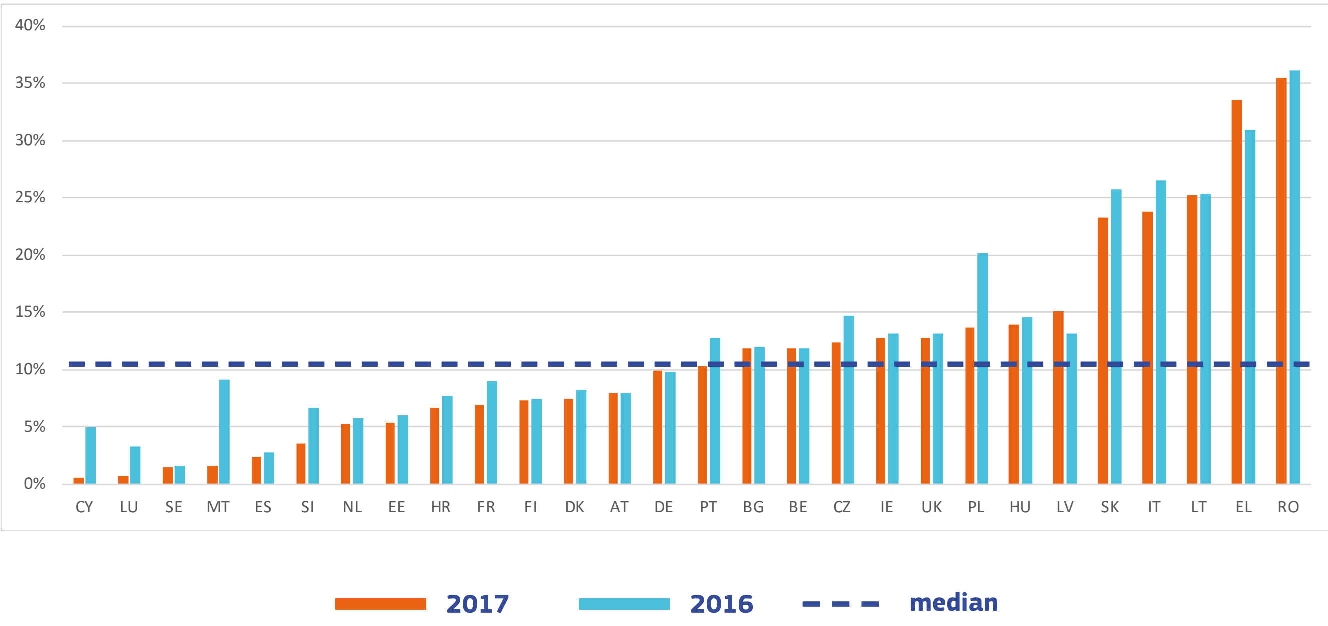
Tax optimisation

The favourable economic climate and some short-term policy solutions put in place by the EU helped to lower the VAT Gap in 2017. However, to achieve more meaningful progress we will need to see a thorough reform of the VAT system to make it more fraud-proof. Our proposals to introduce a definitive and business-friendly VAT system remain on the table. Member States cannot afford to stand by while billions are lost to illegal VAT carousel fraud and inconsistencies in the system.

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs

- In 2017, estimated **VAT gaps ranges from 0.6%** in Cyprus, **to 35.5%** in Romania.
- The **VAT Gap decreased in 25 Member States** and **increased in three**: Greece, Latvia and marginally in Germany.

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



VAT GAP IN 2017 (EUR million)

Belgium	3,996	Greece	7,339	Lithuania	1,119	Portugal	1,929
Bulgaria	625	Spain	1,806	Luxembourg	23	Romania	6,413
Czech Republic	2,082	France	12,030	Hungary	1,893	Slovenia	128
Denmark	2,235	Croatia	459	Malta	13	Slovakia	1,791
Germany	25,016	Italy	33,629	Netherlands	2,744	Finland	1,622
Estonia	122	Cyprus	11	Austria	2,444	Sweden	654
Ireland	1,938	Latvia	385	Poland	5,764	UK	19,199

Total EU-28	**137,470**