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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Tenth report from the Commission on VAT collection procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89

CONTENTS

1. INTRODUCTION 2

2. POLICY CONTEXT 2

3. METHODOLOGY 6

4. FINDINGS 7

4.1 General findings: strategic governance and coordination 7
4.2 Specific findings per tasks cluster 8
4.2.1. Registration, deregistration and identification 8
4.2.2. Filing and assessment 12
4.2.3. Compliance risk management 14
4.2.4. Audits and other control activities 15
4.2.5. Payment and collection 18
4.2.6. Tax debt collection 19
4.3 Special focus on the fight against VAT fraud 21

5. CONCLUSION 23

Annex 1: Index of recommendations from the ninth report of 2022 25

Annex 2: Index of figures and tables 27

Annex 3: Reports from the Commission to the European Parliament and the Council on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89 28

VAT Administration in the European Union

1. Introduction

Taxes are essential to financing policies and public services, and value added tax (VAT) is a major source of revenue for both Member States and the European Union budget. Effective administration of VAT contributes not only to revenue collection but also to economic development, sustainable growth and public trust in government. Studies[1] have shown that tax administration performance impacts tax compliance gaps. Institutional effectiveness and the social acceptability of the tax system are key determinants of taxpayer behaviour. Improving the effectiveness of tax administration can thus contribute to reducing tax compliance gaps.

Under Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989, the Commission is required to report every five years on the measures taken and progress achieved by Member States on VAT collection, as well as suggest possible improvements[i]. The present report fulfils that mandate for the 2020-2025 period; it also includes data for 2026, where available.

This is the tenth report since the entry into application of Regulation 1553/89 on 1 January 1989. It builds on the previous, ninth report, issued on 7 April 2022. The ninth report identified good practices in VAT administration, which were then regrouped into recommendations to Member States. The present report examines the extent to which Member States' tax administrations have implemented changes in response to those recommendations, which are set out in Annex 1. The report also highlights practical experience and examples of emerging good practices in VAT administration.

2. Policy context

This report is published alongside the 2026 edition of the **Mind the Gap report**, which provides a thorough EU-wide assessment of the main tax gaps and a broad perspective on the tax systems of EU Member States. The two reports are complementary: the findings of this report gain relevance and pertinence when put into the broader political context depicted in the Mind the Gap report[2][3].

For insight into the main features and the evolution of the VAT gap in particular – both at EU and national level – the **annual VAT Gap study**[4] remains a valuable source of information. The 2025 edition revealed that in 2023, VAT revenue represented 7.1% of the EU's gross domestic product (GDP) and 15.5% of total government revenue[5], making it essential for funding public services and ensuring the fiscal stability of Member States. The VAT compliance gap was estimated at **128 billion EUR in 2023,** or 9.5% of the VAT total tax liability (VTTL) at

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1 Katherine Baer et al., IMF Working Paper No. 2025/209, 'Closing the Gap; How Tax Administration Performance Shapes Compliance', 2025, International Monetary Fund, https://doi.org/10.5089/9798229027076.001.

2 This report is also presented simultaneously with the 2026 report on tax recovery.

3 European Commission: Directorate-General for Taxation and Customs Union, 'Mind the gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Full report', Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/4778590.

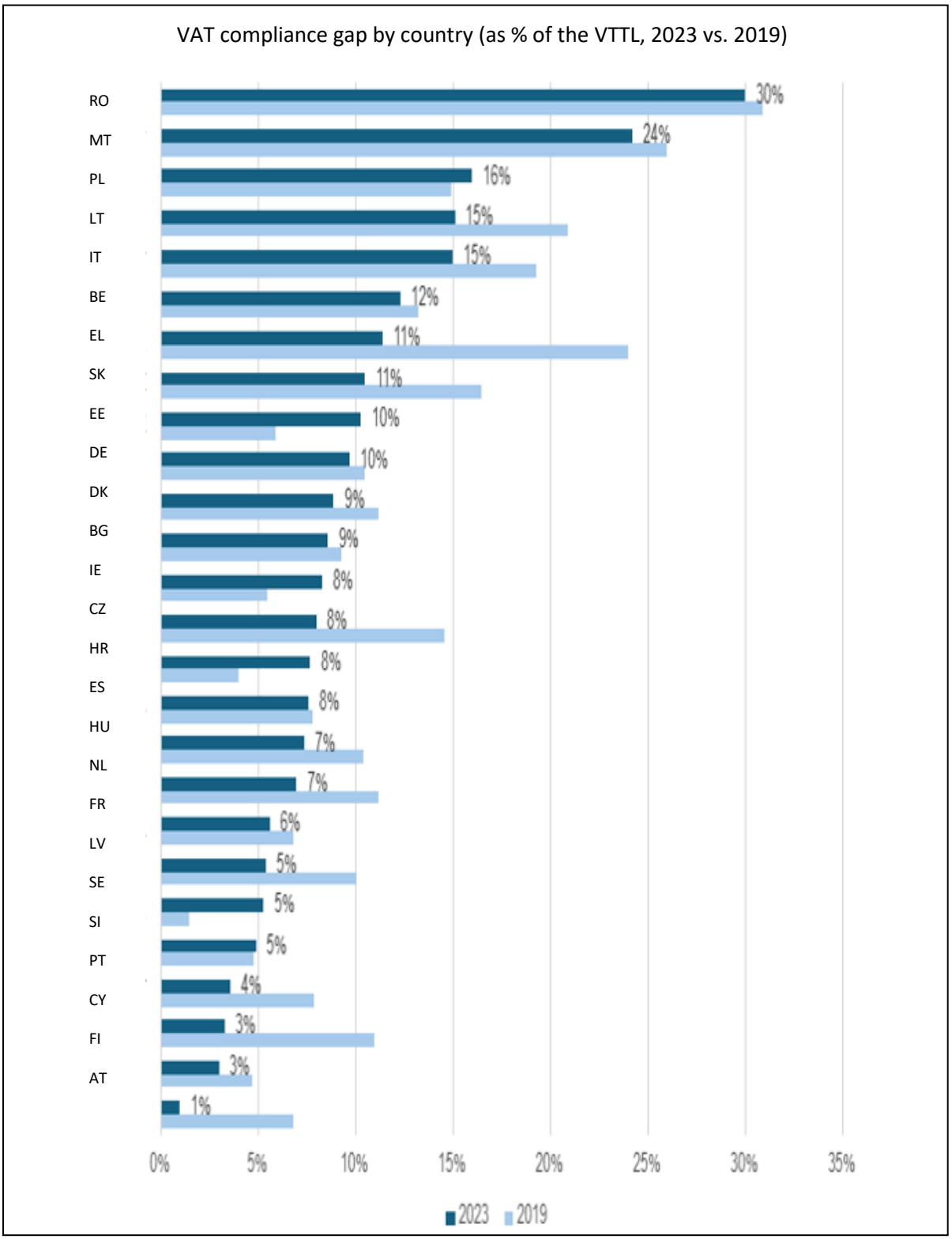
4 European Commission: Directorate-General for Taxation and Customs Union, Syntesia, CASE, Intellera, Poniatowski, G. et al., 'VAT gap in Europe – Report 2025', Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/7868422.

5 Eurostat Data Browser. Government finance statistics - Statistics Explained - Eurostat.

the EU level, an increase of 1.6 percentage points compared to 2022[6]. The magnitude of these figures demonstrates how important effective national VAT administration processes and procedures are to reducing the VAT compliance gap over time.

[6] European Commission: Directorate-General for Taxation and Customs Union, 'Mind the gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Full report', Publications Office of the European Union, 2025, **https://data.europa.eu/doi/10.2778/4778590**.

Figure 1: VAT compliance gap by country



Annotation: Data labels refer to the VAT gap as share of VTTL in 2022 and 2023
Source: European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025

The Commission has stressed the importance of **estimating and monitoring** the main **tax gaps**, including the VAT gap. Member States are therefore encouraged to either develop their own national projects for estimating and monitoring tax gaps – like Greece (see Textbox 1) - or take part in joint EU or other initiatives aimed at developing expertise in this area. Under the Tax Administrations' European Union Summit (**TADEUS**), several projects on the estimation of the tax gap - including VAT gap from Missing Trade Intra-Community ('MTIC') and e-commerce fraud – have been underway for several years already and will be further developed. These projects discuss key challenges such as data availability and estimation methods, both for tax policy gaps and tax compliance gaps[7].

Textbox 1: Greece: a dedicated tax gap estimation department

In Greece, the Independent Authority for Public Revenue (IAPR) created in 2024 a dedicated tax gap estimation department within the new Directorate of Analytics. This new department brings together specialised analysts focused exclusively on tax gap analysis and the further development of technical expertise. Greece has developed two complementary in-house econometric models: the first examines the relationship between electronic payments and cash in circulation (M0), controlling for real GDP and inflation in order to identify non-cyclical compliance gains, while the second uses canonical cointegrating regression (CCR) to estimate long-run equilibrium and break down revenue growth into economic cycle, inflation and administrative efficiency components. The team continues to strengthen its knowledge of emerging methodologies and remains open to receiving technical support, particularly on integrating real-time data from digital invoicing into the VAT gap monitoring framework and on exploring possible bottom-up tax gap estimation techniques.

VAT collection cannot be improved by strengthening the performance of tax administrations only; it also requires policy interventions to improve the intrinsic features of the VAT system, with a view to facilitating compliance for taxpayers and removing fraud opportunities for fraudsters. An important step forward is the VAT in the Digital Age (ViDA) package, adopted in March 2025, whose provisions will take effect progressively through 2030 to make the VAT regime fit for the digital age. The package provides tax administrations with powerful tools to control economic activities subject to VAT, especially in e-commerce, by expanding the role of digital platforms in collecting and remitting VAT in certain sectors. It also improves access to close-to-real-time transaction data, so that tax administrations can improve the detection of non-compliance and target audits accordingly. Finally, ViDA contributes to a stronger single market and easier rules for businesses and consumers by reducing the need for multiple VAT registrations across Member States[8], broadening and streamlining the One Stop Shop approach, and clarifying VAT requirements for platform-based business models.

[7] European Commission: Directorate-General for Taxation and Customs Union, 'Towards a common approach to tax gap estimation in the EU – Fiscalis Project Group 008 – Final report', Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/3068071.

[8] A first milestone in the implementation of the ViDA package has already been reached with the adoption of Commission Implementing Regulation (EU) 2026/1869 amending Implementing Regulation (EU) 2020/194. This amendment covers the implementing rules related to the Single VAT Registration (SVR) measures of the ViDA package. The Regulation updates the operational rules governing the OSS system and the related VAT processes, while strengthening cooperation between national tax administrations.

3. Methodology

Article 12 of Council Regulation No 1553/89 of 29 May 1989 was amended[9] in 2021 to include the following provisions:

- Member States must annually report to the Commission on changes made to the administrative processes and procedures for administering and collecting VAT; and
- the Commission must, every five years, report to the European Parliament and Council on those changes as well as on improvements.

This **revised mandate** has compelled the Commission to adjust the methodology used for the previous report, while at the same time preserving its main features to ensure comparability between reports over time.

To facilitate reporting by Member States and streamline the collected data on changes in VAT collection processes and procedures made by Member States since 2019, the Commission sent **surveys in 2025 and 2026** to all Member States. The surveys contained various types of questions (open, list-box, multiple choice questions) and the EU survey tool was used for collection and processing of the replies.

Most Member States replied within the set timeframe, but the quality, completeness and accuracy of the data collected varied significantly. To overcome this problem, in February 2026, the Commission organised **bilateral meetings**[10] with tax administration representatives of Member States. The goal of the meetings was to obtain additional information, which was subsequently confirmed in writing.

On substance, the report presents an **analysis of recent changes** implemented by Member States and relating to all the core tasks that a contemporary tax administration performs to collect VAT. Tax administrations across the EU have similar functions but can vary in terms of organisation, operations, tax policy strategies and priorities. This report discusses **VAT administration from a broad angle,** to capture all administrative practices and processes that Member States have in place for administering and collecting VAT. It follows the entire VAT life cycle, from taxpayer registration, deregistration and identification to tax debt recovery, with the tasks grouped **in six clusters**:

1. taxpayer registration, deregistration, and identification
2. filing and assessment
3. compliance risk management
4. audits and other control activities
5. payment and collection
6. tax debt recovery.

[9] The Proposal's Explanatory Memorandum states that Article 12 remains unchanged in essence, but it is amended to reflect the scope of the proposal. Member States are required to provide information on VAT collection in more general terms and only on relevant changes in the administrative processes and procedures for VAT collection. Also, the reporting period for the Commission has been brought into line with periods laid down in other tax regulations and directives. To assess the effectiveness of VAT collection procedures, it is more relevant to report on improvements made by Member States to VAT collection than on the procedures themselves. The text has been amended accordingly.

[10] These bilateral meetings were held with all Member States except Denmark, which only responded in a written procedure in agreement with the European Commission.

The analysis evaluates EU Member States' VAT administrations against a uniform high-performance level, taking into account the highest **international standards**[11], as identified by international organisations such as IMF, OECD. Where relevant, the report recommends a possible course of action to achieve future progress.

4. Findings

This chapter presents the findings of the analysis based on the replies to the surveys. After some general findings, the analysis goes deeper into findings per tasks cluster. The findings relate to the recommendations (referred to between brackets) in the previous report. Where relevant, figures have been added indicating how many Member States have addressed the recommendation and which Member States have made changes leading to progress since 2019. In the figures under each cluster, the performance of each Member State is indicated for the most relevant areas.

4.1 General findings: strategic governance and coordination

All Member States made changes to their VAT collection systems after the Commission's ninth report on VAT administration (2022) and improved their tax administrations' operations. Member States can reap substantial benefit from ensuring that the operations in their tax administration are supported by a **strong and well-founded governance framework which includes setting objectives, priorities and targets, identifying risks, monitoring and evaluation and ensuring accountability mechanisms**.

A tax compliance plan prioritises tasks, focusing on specific obligations, deadlines, and regulatory requirements, while actions represent the broader workflows or strategies to accomplish these tasks. According to the 2026 survey, 23 Member States have established such compliance management plans and monitor their implementation on a regular basis, which indicates strong recognition of their importance in tax administration. However, 4 Member States (BE, DK, LU, SK) still lack such a framework (R19**)**. The Commission recommends that they prioritise the development and implementation of a formal, senior-level-approved compliance plan to strengthen their strategic governance framework.

Currently, all Member States except one (DE) **set targets** and carry out estimates at national level, while in 2019 only 20 Member States did so[12]. Despite this positive development, more progress can be achieved if the competent authorities - mostly ministries of finance - would involve tax administrations systematically when setting targets. This can improve the accuracy of revenue projections, given tax administrations' operational expertise and access to detailed tax data. In addition, establishing clear methodologies, strengthening data-sharing mechanisms, and investing in analytical capacity within tax administrations can contribute to more robust and transparent forecasting. This helps ensure both effective central control and informed, evidence-based decision-making.

Moreover, Member States have different approaches to **transparency**: only 8 Member States (DE, EE, ES, IE, NL, PL, PT, SI) had a fully transparent/public compliance strategy available to taxpayers in 2025[13] (the same number as in 2019). As transparency helps build trust in the tax system, which is essential to achieving higher voluntary compliance levels, more progress is needed in this area.

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11 TADAT Indicators for performance have been used for analysing the administrative processes applicable in Member States. TADAT is a tool that has been developed by international development partners, with technical input from a wide range of experts, to help make tax administrations around the world more efficient and fair. It provides an independent, standardised, evidence-based, quality-assured, all-round assessment of the performance of a tax administration system.

12 This data is from the 2025 survey on VAT collection question 1.3.

13 This data is from the 2025 survey on VAT collection question 1.5.2.

Given VAT's significant contribution to revenues, managing VAT compliance risks is essential. With a tax compliance plan, tax administrations apply a structured approach to identifying, assessing, prioritising and mitigating risks. In this respect, risk registers are a key tool for identifying and mitigating risks, thereby helping to ensure the continuity of tax administration operations. However, 6 Member States (AT, FI, CY, PL, RO and PT) have yet to adopt this practice (2025 data)[14]. Given the importance of proactively identifying and mitigating risks, these countries would benefit from **establishing a centralised risk register** to strengthen operational resilience and safeguard tax collection processes.

While Member States have made progress across many areas, **monitoring and evaluation are essential** to assess whether the reforms implemented improve tax collection and recovery; whether digital investments modernise and streamline tax administration; and whether greater data availability strengthens compliance, risk management and decision-making. Overall, 13 Member States monitor the implementation of the reforms, but 14 Member States (EE, LT, HU, SK, CY, DE, SE, EL, NL, PO, IT, RO, LV, PT) do not, or did not provide data on this point in the 2025 survey[15].

All but one (DE) Member States **publish an annual tax activity report**[16]. Germany should consider introducing an annual activity report to align with the established practice of other Member States. Publishing such a report would strengthen transparency, accountability and stakeholder confidence.

4.2 Specific findings per tasks cluster

4.2.1. Registration, deregistration and identification

Since 2019, all 27 EU Member States have **modernised their systems for taxpayer registration, deregistration, and identification**. These reforms reflect a broader **shift towards digital, data-driven tax administration** and are broadly aligned with EU objectives to strengthen compliance, prevent fraud, and improve administrative efficiency.

All 27 Member States **inform taxpayers online about their VAT-related obligations and provide for online registration (R2),** compared with 24 Member States in 2019. In all Member States information held in the VAT registration database is **cross-checked against third-party information sources (R7),** such as company registers and other external databases, to validate taxpayer details (25 Member States in 2019). This means that tax administrations increasingly rely on third-party data sources where this integration supports greater real-time consistency across tax registers and reduces the need for manual re-entry of taxpayer information.

In 2026, almost all Member States carry out **legal and identity (ID) verifications and systematic preliminary checks based on risk indicators (R5**). Poland is the only Member State that does not perform these systematic legal and identity verifications at registration[17]. This is a significant increase from 21 Member States carrying out such checks in 2019. The checks support the quality and reliability of taxpayer registers, reduce administrative errors, and strengthen tax authorities' ability to detect suspicious cases at an early stage. The checks are often combined with risk-based preliminary verifications designed to identify potentially fraudulent or high-risk applicants before registration is completed.

23 Member States (all except HR, EL, IT, PT) now keep records of applicants whose registration has been refused (R6), compared with 21 Member States in 2019. This reflects a continuous shift towards more systematic controls at the registration stage, alongside digital tools and identity checks, to prevent misuse of the VAT system before it occurs.

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14 This data is from the 2025 survey on VAT collection question 1.6.

15 This data is from the 2025 survey on VAT collection question 2.7.1.

16 This data is from the 2025 survey on VAT collection question 1.7.1.

17 Poland actively monitors unregistered or underreported activities through existing reporting tools, such as online cash registers and KSeF e-invoices, to identify shadow-economy risks, particularly in high-risk sectors such as construction, automotive services, and e-commerce via digital platforms.

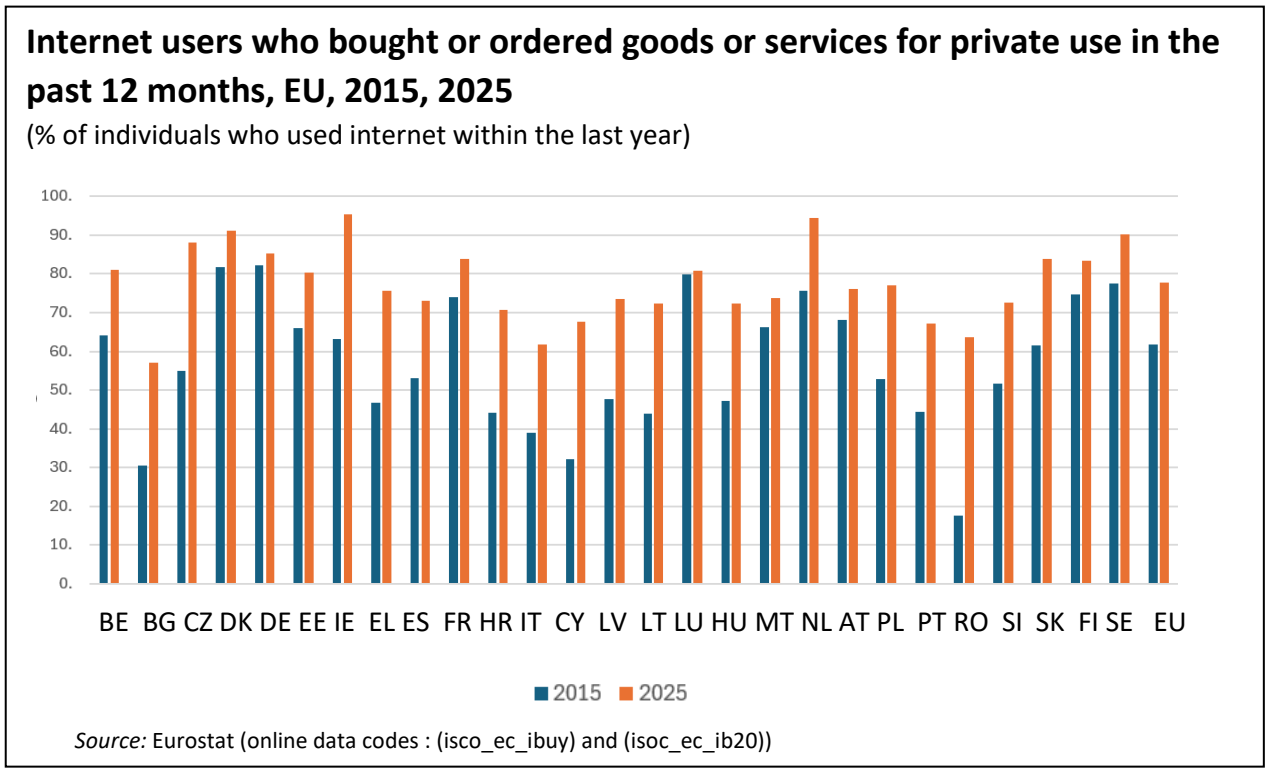
Across the EU, all Member States have now **linked their IT registration information systems with other subsystems of the tax administration, such as filing and payment, collection and audit (R11),** compared with 24 Member States in 2019. This allows registration data to flow directly into other operational functions, including compliance monitoring, audits, collection, and enforcement in general.

Member States are placing greater emphasis on **detecting businesses that should be registered but are not,** especially in high-risk VAT areas such as e-commerce and other fraud-prone sectors. In this context, 25 Member States (all except DK without any data available, and NL)[18] - one Member State more than in 2019 - have processes in place to detect taxpayers who fail to register. The focus is on economic sectors with a significant number of unregistered businesses **(R8).** As a result, almost all Member States (except NL[19] and possibly DK) maintain an accurate and complete VAT database in 2026 **(R4)**.

Oversight linked to the VAT information exchange system (VIES) has also improved markedly. In 2026, 25 Member States (all except DK and RO) conduct post-registration checks on VAT numbers used for intra-EU transactions and assess whether VIES registration should be suspended or revoked in cases involving fraud or serious non-compliance **(R10)**. In 2019, 20 Member States were applying these controls that are **particularly important in addressing missing trader intra-Community fraud and other forms of cross-border VAT abuse.**

The growth of e-commerce (see Figure 2 below) has made the integrity of the One Stop Shop (OSS) and VAT registration systems a priority area. All 27 Member States have **set up a dedicated information channel for (M)OSS[20] and systematically perform preliminary registration checks for (M)OSS purposes (R14),** compared with 23 Member States in 2019.

Figure 2: Growth of e-commerce acquisitions by individuals (2015, 2025)



Source: Eurostat (online data codes : (isco_ec_ibuy) and (isoc_ec_ib20))

[18] The Netherlands is in the process of acquiring a new IT system that will solve this issue.

[19] See footnote 18.

[20] MOSS (Mini One Stop Shop) applied until 30 June 2021. From 1 July 2021, the One Stop Shop (OSS) schemes have applied, extending the scope of the former MOSS arrangements.

In addition, 14 Member States (**AT, BE, BG, CY, DK, DE, EL, IT, LV, LU, NL, SK, SI, ES**) maintain a **specific register of e-commerce taxpayers (R13)**, compared with 8 Member States in 2019. This allows for **more targeted compliance monitoring and better risk segmentation**. While the remaining 13 Member States (IE, HR, CZ, EE, FI, FR, HU, LT, MT, PL, PT, RO, SE) do not have a separate e-commerce register, this does not necessarily mean they cannot identify or monitor online taxpayers. In many cases, the relevant data can be extracted from general VAT registers and other domestic tax data sources and used effectively for OSS control and compliance work. The recommendation to set up a specific register, therefore, only applies to Member States that currently cannot identify the e-commerce taxpayers.

When the previous report was published, tax administrations were in the process of implementing data models for compliance management of registration processes, tax controls, audits, and payment and collection processes. Since then**, artificial intelligence (AI)** has emerged as the new breakthrough technology. Currently, tax administrations use AI and machine learning in both front-end and back-end processes (see textbox 2), with the necessary privacy and other necessary safeguards in place, and keeping in mind the inherent shortcomings of AI. But there is still room for improvement, both in compliance management and in wider administrative processes.

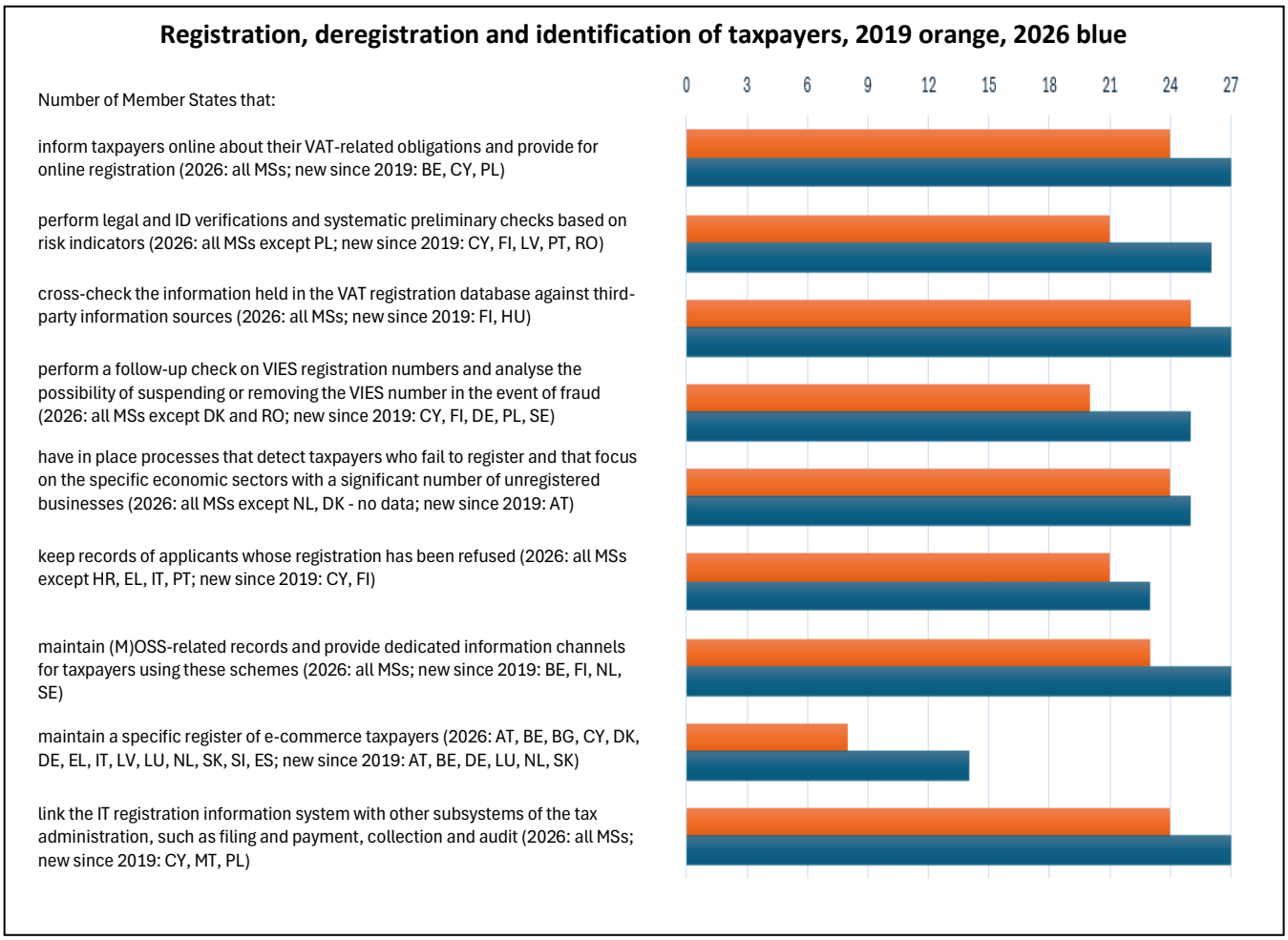
Textbox 2: Use of AI for taxpayer services

In the **Netherlands,** the Tax and Customs Administration has integrated artificial intelligence into its communication processes to improve the quality and accessibility of correspondence sent to citizens. AI tools are used to analyse outgoing letters and assess their clarity, readability and comprehensibility, thereby supporting efforts to make official communication more user-friendly and easier to understand. This reflects a broader administrative objective of reducing complexity in taxpayer interactions and promoting greater transparency in dealings with the tax authority.

In **Austria**, artificial intelligence is likewise being deployed to strengthen service delivery, notably through the 'Fred' chatbot, available on the website of the Federal Ministry of Finance. As a digital assistant, Fred provides citizens with support on a wide range of tax-related matters, including answering general queries, offering guidance on the use of FinanzOnline, reminding users of relevant deadlines, and assisting with other administrative procedures. These examples illustrate how tax administrations are increasingly using AI not only to enhance internal efficiency but also to improve communication, facilitate compliance and provide more accessible, responsive and citizen-centred services.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in the registration, deregistration and identification of taxpayers.

Figure 3: Registration, deregistration and identification of taxpayers (2019-2026)



Actions to further improve registration, deregistration and identification of taxpayers

To further improve the registration, deregistration and identification of taxpayers, Member States are advised to focus on actions and processes aimed at **keeping their taxpayer database as accurate and up to date as possible.** This requires risk management based on internal and external data as well as compliance checks to ensure the completeness and correctness of the database. Such checks may include automated checks, desk checks and on-site inspections, which may be complemented by human verifications. The latter, however, being resource-intense and less speedy, should not be the standard approach.

In particular, Member States are advised to:

- **carry out mandatory preliminary checks prior to VAT registration** to verify the identity of applicants, confirm the authenticity of the business activity and identify possible fraud indicators, especially for non-established and high-risk operators and consider conditions or safeguards where appropriate;
- **continuously monitor the taxpayer databases by carrying out targeted compliance actions to correct inaccuracies in those databases**[21], including through cross-checking internal and external data sources;

[21] This could consist of desk-audits, on-site inspections, requesting information by the taxable person or other stakeholders etc.

- **prioritise the detection of unregistered traders**, in particular in the field of e-commerce, by making full use of EU tools and cross-border data-sharing arrangements;
- **flag high-risk registrations in the registration system** and monitor compliance;
- **ensure near real time update of VIES and develop transaction-based monitoring** that can flag abnormal use of VAT identifications.

4.2.2. Filing and assessment

The digitalisation of tax administrations is not simply a technical modernisation but a structural transformation of the way tax systems operate, as evidenced by the enormous progress made in the field of tax filing and assessment between 2019 and 2026. In traditional models, tax administrations depended heavily on **voluntary compliance**, paper-based or fragmented reporting and *ex post* controls, imposing significant administrative burdens on all actors involved. By contrast, the spread of e-invoicing, digital reporting obligations and secure online access to VAT information has made pre-filled tax returns possible. Tax compliance is now more guided, standardised, and embedded in day-to-day business processes. This has helped reduce errors, omissions, and compliance costs for both taxpayers and administrations. In this manner, tax administrations ensure compliance by design and by default, which is the ultimate goal.

At the same time, **interoperability** between **VAT registers, accounting software, customs information and other administrative databases** has improved the quality of tax assessments. In this context, 21 Member States (all except DK, DE, IT, LU, NL, RO) ensure that accounting systems interface with other systems and include procedures to **systematically review and correct the taxpayer record (R36)**. This is a significant increase compared to 2019 when only 14 Member States had such interfaces in place. Among the remaining 6, 3 (IT, NL, RO) provide other means through which it is possible to review and update the taxpayer's records.

Tax authorities are increasingly able to carry out faster cross-checks, more refined risk analysis, and timelier audits, allowing them to detect anomalies earlier and act in a more targeted way. In this context, 25 Member States (all except BE and RO) **monitor the dispute resolution process**, draw conclusions to support improvement of the general investigation methods and refine the tax assessment procedures **(R38)**, compared with 21 Member States in 2019.

This marks a broader **shift from retrospective verification to a near-real-time approach**. Through automated alerts, digital reporting flows, and links to EU tools such as VIES, the Central Electronic System of Payment information (CESOP) and upcoming systems such as Central VIES, tax administrations can act earlier, prevent errors before they turn into disputes, and make enforcement more effective and less intrusive. In this way, digitalisation strengthens both assessment and voluntary compliance, supporting the Commission's objective of making tax compliance increasingly seamless, and embedded in everyday economic activity.

Further progress in providing **online taxpayer services** (see Textbox 3), **proactive reminders of filing deadlines and the use of specific supporting tools (R24), digital communication channels** (e.g. publishing deadlines on the tax administrations' websites, communication among taxpayers and tax administration via secure internet connection) confirm that combining digital tools with administrative reform and stronger cross-border cooperation creates a virtuous cycle: lower administrative and compliance costs, fewer disputes thanks to early correction of errors, better assessments, and stronger capacity to fight fraud and evasion through more reliable and shared data. Online taxpayer services could also be used by tax administrations to provide taxpayers with guidance on how the law should be applied, including references to court rulings and case-law, to facilitate compliance.

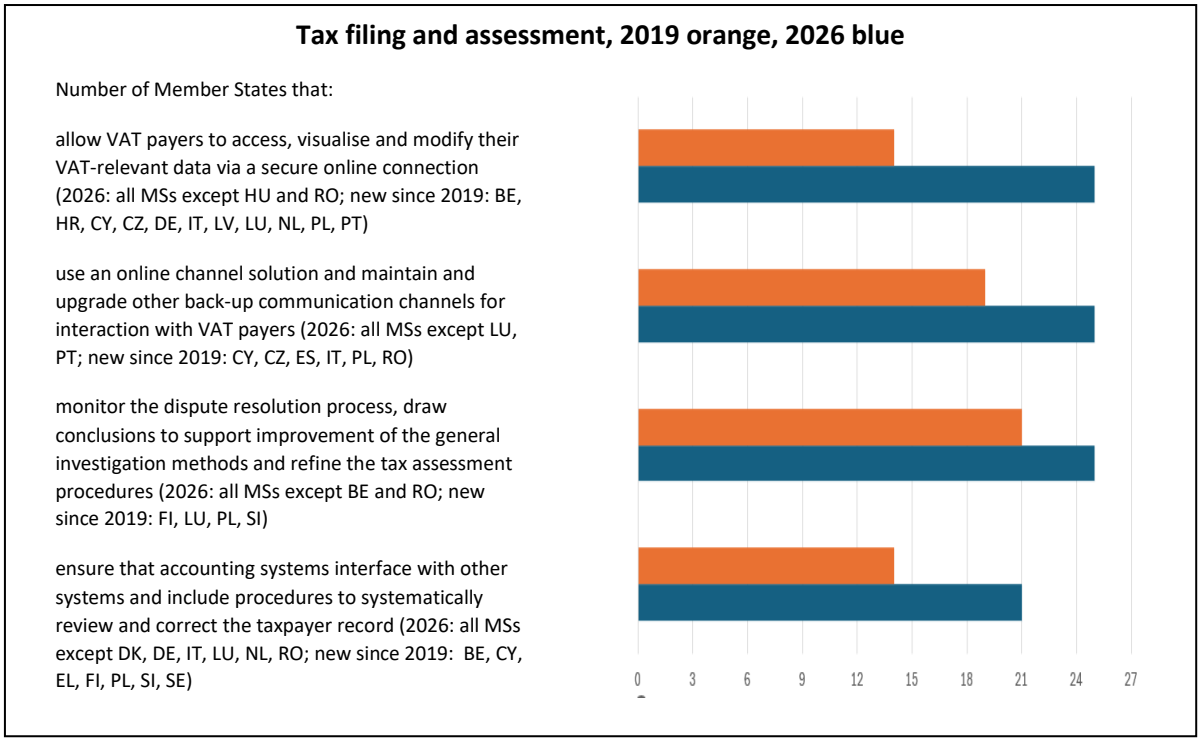
In 2026, 24 Member States (all except AT, RO, PL) are proactively reminding taxpayers of filing deadlines, compared with 21 Member States in 2019. Almost all Member States (except HU and RO) allow VAT payers to access, visualise and modify their VAT-relevant data via a secure online connection **(R12)** - while in 2019 only 14 Member States provided this option.

Textbox 3: e-Tax office

Poland's e-Tax Office (e-Urząd Skarbowy) is a good example of how digital public services can help improve tax collection by making compliance easier, faster and more transparent. Through a single online portal, taxpayers can access their tax accounts, file returns, check settlements, receive official correspondence and make payments electronically, reducing paperwork and the administrative burden for both citizens and the tax administration. By simplifying procedures and giving taxpayers clearer, real-time access to their obligations and payment status, the system encourages voluntary compliance, lowers the risk of errors and late payments, and helps the authorities manage tax collection more efficiently.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in tax filing and assessment.

Figure 4: Tax filing and assessment (2019-2026)



Actions to further enhance filing and assessment

Focusing on **pre-filing controls** for VAT is essential because it allows tax administrations to prevent fraud, error and revenue loss before a VAT return is submitted, rather than detecting problems only afterwards, when recovery is more costly and less effective.

- By **combining internal data**, such as previous returns, registration details and payment behaviour, **with external data**, including customs information, business registers, payment data and cross-border transaction records, authorities can build a more accurate and timelier risk picture of each taxpayer and transaction chain.
- The **addition of data from e-invoicing** is particularly important, as it provides (near) real-time, transaction-level information that makes it easier to verify reported supplies and purchases, identify discrepancies, detect missing trader or carousel fraud patterns, and support automated validation.

- A **strong pre-filling approach** improves compliance, reduces administrative burdens linked to later audits and corrections, and enables more targeted, data-driven intervention, while also giving compliant businesses greater certainty and levelling the playing field.

4.2.3. Compliance risk management

Effective VAT compliance risk management requires gathering and analysing risk-relevant data. Most Member States have implemented the EU recommendations to **strengthen the use of data** by tax administrations in a more integrated, timely and targeted manner. Recommendations on the **improvement of the automatic exchange of information between tax administrations and other national bodies (R3)** have been implemented in 24 Member States (except BE, DE, SK), compared with 20 Member States in 2019.

Guidance on using several data sets for VAT compliance purposes and permanently increasing the quality of the exchange of information and administrative cooperation (R21) has been implemented in 24 Member States (except BE, DE, LU), compared with 22 Member States in 2019. From this perspective, Member States are putting more emphasis on strengthening data quality and reliability by preventing and correcting inconsistencies, employing more effective validation systems, and using feedback mechanisms between Member States, in compliance with tax confidentiality obligations and personal data protection law.

In this respect, making the European ecosystem for processing tax data more robust and integrated could bring further benefits. The strategic objective should be to **integrate data management and analysis processes across the entire tax administration cycle**, from registration to audits and eventually debt recovery, and to **overcome operational silos between direct and indirect taxation through cross-cutting analysis,** including by making better use of sources such as the Directive on Administrative Cooperation[22] (DAC)2, DAC7 and CESOP. This should be accompanied by the automation of flows and responses, real-time analysis through national application interfaces (API's) in and outside the administration and dynamic systems, centralised cross-checking of EU data enriched by external sources, and a better use of data that are currently underused, through more closely aligned national strategies.

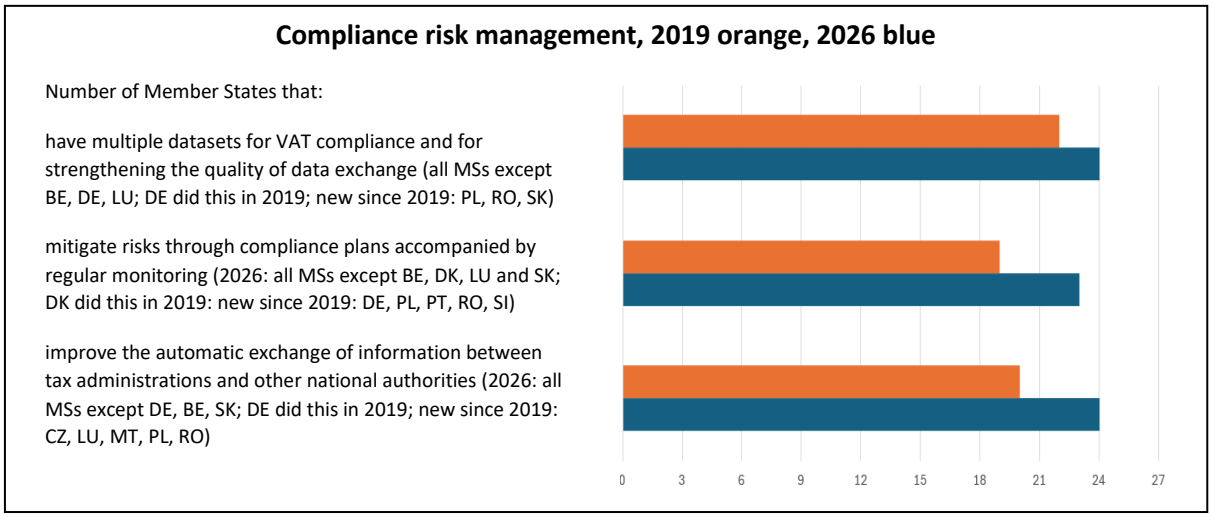
Textbox 4: VAT-Return

Portugal's VAT-Return sectoral incentives are a good example of how tax policy can improve tax collection by encouraging consumers to ask for official receipts in sectors where cash-in-hand transactions are more common. Under this system, taxpayers can recover 15% of the VAT paid, up to a shared annual cap of EUR 250, on purchases in selected higher-risk sectors such as restaurants and lodging, vehicle repairs, hairdressing and beauty services, and veterinary care. In addition, 100% of the VAT paid on monthly public transport passes can be recovered. By giving citizens a direct financial reason to request an invoice, the scheme helps bring more transactions into the formal economy, reduces opportunities for under-reporting, and strengthens VAT compliance. This makes it a practical example of using insights into taxpayers behaviour and targeted consumer incentives to support fairer and more effective tax collection.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in compliance risk management.

[22] The Directive on Administrative Cooperation (DAC) establishes the EU framework for administrative cooperation between national tax authorities, including the exchange of information through automatic, on-request and spontaneous exchange mechanisms. The information exchanged is used by EU countries' tax authorities to enrich their risk analysis and carry out tax investigations and audits, thus generating additional resources.

Figure 5: Compliance risk management (2019-2026)



Actions to further enhance compliance risk management

- Member States are encouraged to **conduct VAT tax gap estimations (including VAT on e-commerce transactions)** on a regular and methodologically robust basis, as a core element of evidence-based compliance risk management. Periodic tax gap analysis provides a clearer understanding of the scale, sectoral distribution and underlying drivers of non-compliance, thereby enabling tax administrations to better target preventive and corrective measures, allocate audit resources more effectively, and assess the impact of policy and enforcement interventions over time.
- To maximise the value of their compliance risk management, Member States should also systematically **integrate behavioural insights and empirical studies** into the design of their compliance strategies. A stronger behavioural approach can help administrations identify the factors influencing positively taxpayer behaviour, improve the targeting and sequencing of interventions, and develop more effective communication, nudging and enforcement responses tailored to different risk profiles and taxpayer segments (see textbox 4). Combining regular VAT gap estimation with the structured use of behavioural evidence would strengthen analytical capacity, support more proportionate and timely enforcement, and contribute to higher levels of voluntary compliance and more resilient VAT systems across the EU;
- Member States are also encouraged to **develop dynamic data matching** between IOSS IDs, VAT/EORI numbers, CESOP payment data and other government data[23] which allow rapid detection of fraudulent operations.

4.2.4. Audits and other control activities

Within the broader move of EU tax administrations towards compliance-by-design models, **audit activities** are progressively **shifting from retrospective, manual and fragmented controls to timelier, integrated and data-driven interventions**. Compared with 21 Member States' tax administrations in 2019, 26 tax administrations (all except DK due to data unavailability) **use sector-specific audit manuals, cooperate with other agencies, update and review audit plans and monitor the quality of audit function in accordance with a documented process**, confirming a trend towards more consistent, transparent and replicable methodologies **(R32)**. This helps reduce variability in the execution of controls and improve the traceability of audit decisions, in line with the need to embed audit within more data-driven organisational frameworks.

[23] This could consist of e.g. customs declarations and transport records.

26 tax administrations are adapting the scope and intensity of VAT audits to meet needs and priorities (R34), calibrating them according to risk profiles and integrating them with non-audit compliance measures, compared with 23 Member States applying this practice in 2019. This reflects a more mature approach to compliance management, in which audit is no longer seen as a stand-alone instrument but as part of a combination of interventions that may include taxpayer assistance, preventive actions, automated controls and other proportionate corrective measures (see Textbox 5). In this way, control resources can be directed more efficiently towards the areas of greatest risk, while at the same time reducing unnecessary administrative burden for compliant taxpayers.

Member States have also made progress in internal audit processes aimed at verifying alignment between accounting systems and tax rules. 24 Member States (all except BE, DK, and EL due to data unavailability) have **an adequate internal audit process for the accounting system, to ensure alignment with tax laws and accounting standards (R37)**. This is considerable progress given that only 14 Member States had such process in place in 2019.

Audit activities relating to businesses operating under the OSS regime (R16) have also improved. 22 Member States (all except CY, EE, DE, EL, and PL without any available data) reported that nowadays they conduct such audits, compared to 10 in 2019 (then under the Mini One Stop Shop (MOSS) regime). This development points to greater attention to the monitoring of simplified cross-border VAT regimes and to increasing administrative capacity to handle cases with more complex and digitalised operational profiles.

The use of EU tools stemming from EU legislation on VAT administrative cooperation and the exchange of good practices on the use of these tools are constantly increasing. Participation in joint audit rose from 5 Member States in 2019 to all Member States in 2026 **(R33)**. This impressive shift - from limited forms of cooperation to almost generalised, more structured and operational collaboration – responds to the need to address cross-border tax risks through coordinated approaches, information sharing and the development of joint administrative capacity. There is nevertheless still room for improvement in this area, in particular in making better use of the support and know-how provided by the European Union Advanced International Administrative Cooperation (EU AIAC) Community for optimising the use of administrative cooperation tools.

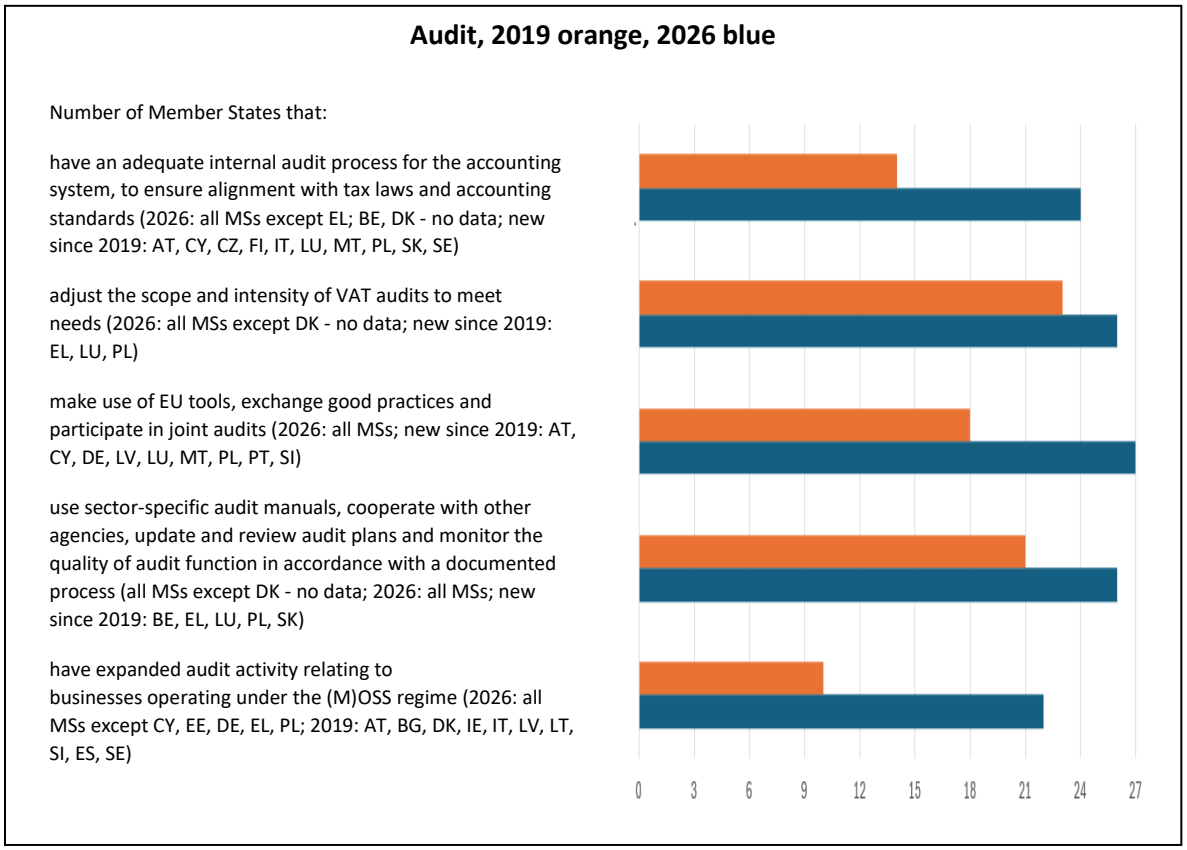
Overall, audit activities in the EU are becoming more digital, standardised, cooperative and risk-based. The integration of data as well as the use of advanced analytics, AI, cross-border cooperation and internal audit tools strengthen the capacity of administrations to promote more timely, accurate and sustainable compliance. From this perspective, tax audits are changing from a predominantly reactive activity to a strategic approach to tax compliance, focused on prevention, interoperability and integration within digital economic processes.

Textbox 5: Tax Echo

Czechia's financial administration has introduced Tax Echo, a data-driven compliance tool designed to improve tax collection in a more efficient and less intrusive way. By analysing available tax data, it identifies taxpayers who may be underpaying their taxes and sends them warning letters before any formal audit begins. These letters encourage taxpayers to voluntarily review and correct their tax situation, often by submitting an additional tax return or adjusting previously declared information. Rather than relying immediately on traditional enforcement measures, the tool promotes early self-correction. This approach has proved effective in raising tax revenues while also reducing the need for costly and time-consuming audits. As a result, it helps the tax administration use its resources more efficiently, strengthens compliance, and supports a more targeted and modern form of tax enforcement.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in audit and other control activities.

Figure 6: Audit (2019-2026)



Actions to further enhance the practices for audits and other control activities

- Member States should adopt a **balanced and segmented audit strategy** that combines a diverse **mix of audit types**, including both random and risk-based audits. **Risk-based audits** help tax administrations target high-risk VAT cases more accurately, using data analytics and compliance indicators to improve efficiency and revenue recovery. A segmented approach further strengthens audit performance by allowing administrations to **differentiate between taxpayer groups according to their risk profiles, sectoral exposure, business models, and transaction patterns**.
- **By combining risk-based targeting with a calibrated level of random auditing,** Member States can achieve a stronger return on investment in tax enforcement. Risk-based methods concentrate resources where the potential revenue impact is greatest, while random audits help validate trends, calibrate analytical models, discourage opportunistic fraud and even serve tax gap estimation. Taken together, these approaches can contribute to **a more adaptive, intelligence-led and fair VAT control system across the EU**.
- Member States should make better **use of EU tools** (e.g. joint audits, multilateral controls) **stemming from EU legislation on VAT administrative cooperation** by integrating good operational practices on the use of these tools and tapping into the support and know-how provided by the European Union Advanced International Administrative Cooperation (EU AIAC) community;
- Member States should **use system-based approaches and statistically robust sampling** to deal with massive inflows under e-commerce, where appropriate for taxes due.

4.2.5. Payment and collection

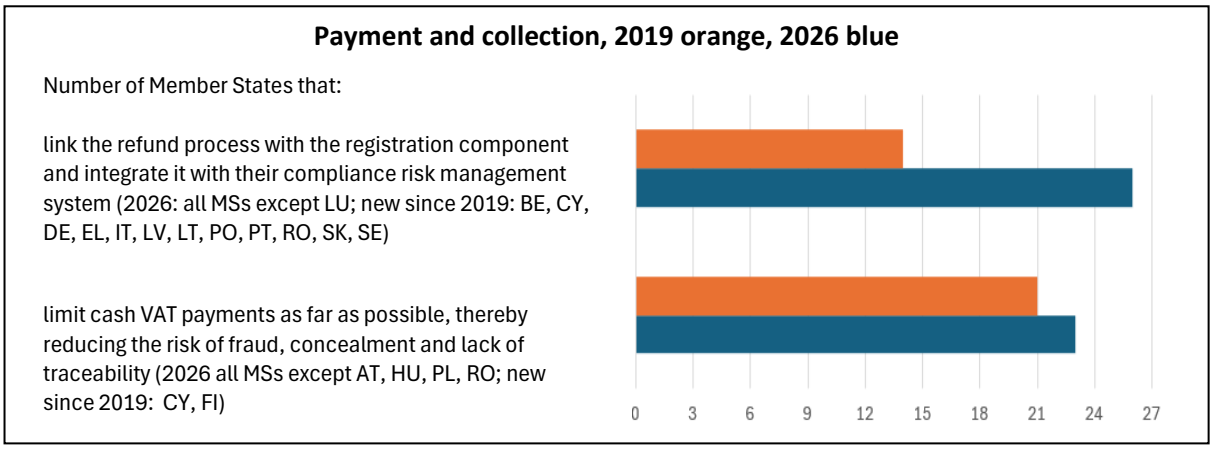
Between 2019 and 2026, Member States continued to make progress in strengthening VAT payment, collection and refund processes, in line with an approach increasingly oriented towards compliance by design, seamless taxation and the digital transformation of tax administrations. Almost all Member States **limited cash VAT payments (R26)**, thereby reducing the risks of fraud, concealment and lack of traceability. In 2026, some countries (HU, MT, PL, RO) still allow cash payments up to certain thresholds, while one Member State (FI) abolished cash payments after 2019. A similar progress occurred in refund processes. All Member States now **pay legitimate tax refunds promptly and have procedures in place to detect and prevent payment of fraudulent claims for VAT refund (R29)**, compared with 18 Member States in 2019.

Relevant for payment and collection are the **e-invoicing rules** introduced in several Member States (AT, CZ, EL, HU, IT, LT, PL, PT, RO, SI and ES had such rules in place in 2024)[24]. E-invoicing not only results in faster and more accurate payment processing and real-time data transmission but also reduces fraud and evasion, especially when mandatory.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in payment and collection of VAT.

[24] OECD, Inventory of Tax Technology Initiatives 2025, OECD Data Explorer • Inventory of Tax Technology Initiatives.

Figure 7: Payment and collection (2019-2026)



Actions to further enhance payment and collection

The general move towards e-payments and the strengthening of refund controls has improved the security, traceability and efficiency of VAT processes. The fact that all Member States now comply with the recommendation on the timeliness of refunds also marks a significant step forward. At the same time, some gaps remain.

- Further convergence is needed on limiting cash payments, as some Member States still allow them up to certain thresholds, which continues to pose risks for traceability and fraud. The remaining Member States should thus consider **phasing out cash VAT payments** and **provide secure e-payment solutions.**
- These efforts should be assisted by **digitally supported monitoring of payments and allow VAT payments/refunds of VAT to be compensated with other tax liabilities.**

4.2.6. Tax debt collection

Tax debt collection deserves particular attention given the **high amounts** of tax due but not paid. The amount of arrears varies considerably amongst Member States. On average, in 2024, year-end arrears in the EU amounted to 30.7% of the revenue collected, while in Greece and Italy the arrears exceed 170%. Tax administrations may, depending on national policy rules and legislation, write off tax arrears considered uncollectable. This affects the level of arrears at year end, as shown in Figure 9 on collectable arrears. Member States with a relatively high proportion of arrears that are deemed collectable should step up their efforts to recover these amounts.

Figure 8: Closing stock of arrears at year end as percentage of total revenue collected
Source: Tax Administration 2024 - © OECD 2024

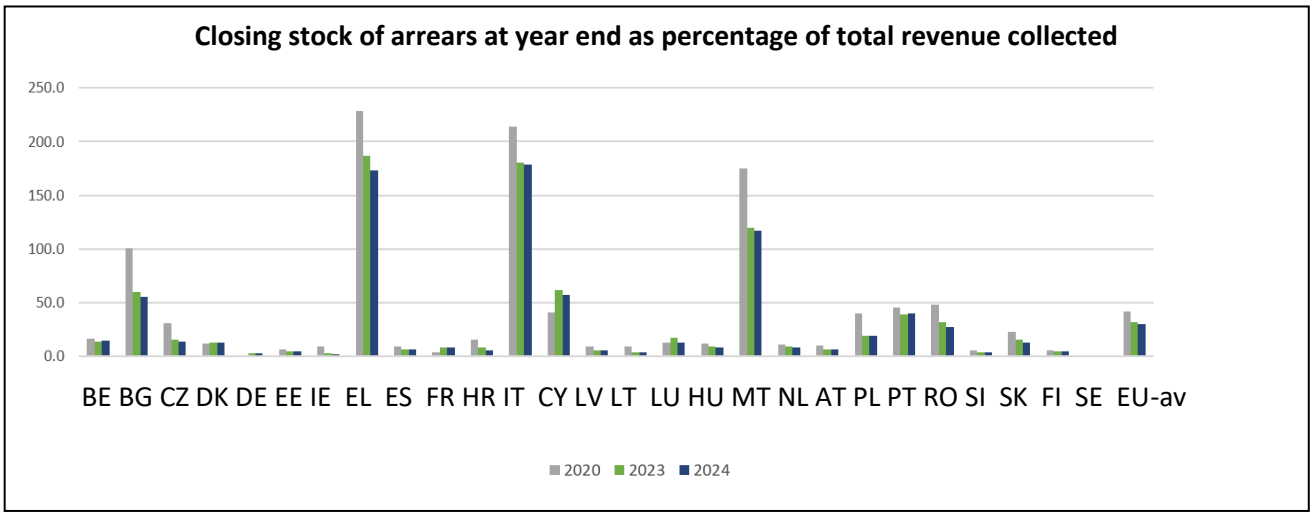
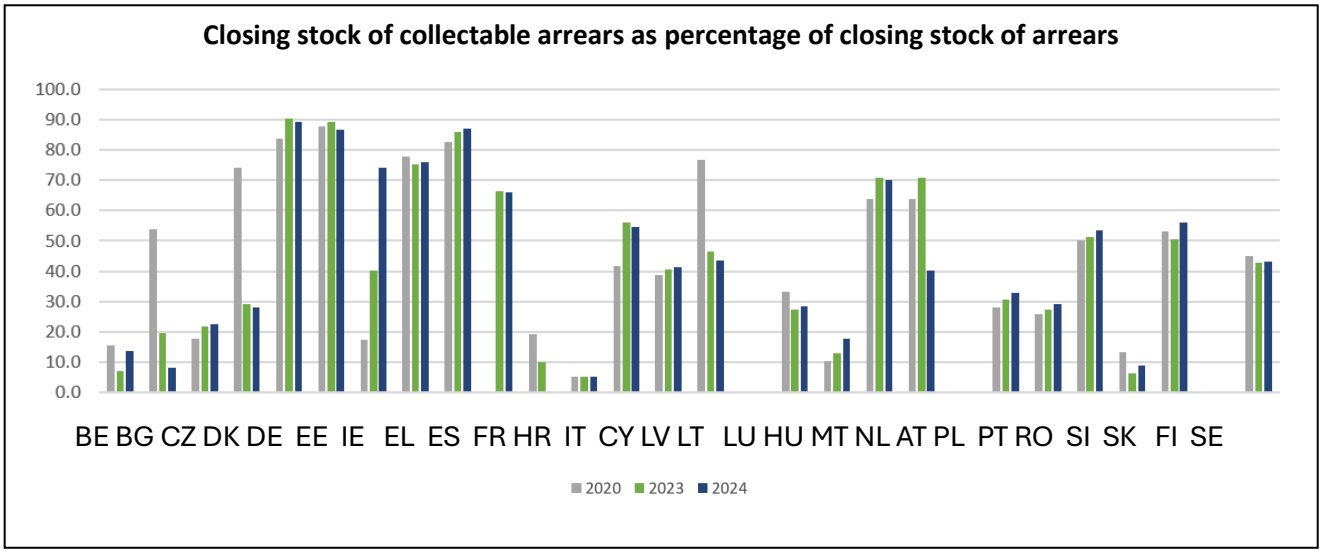


Figure 9: Closing stock of collectable arrears as percentage of closing stock of arrears
Source: Tax Administration 2024 - © OECD 2024



For the management of tax arrears, digitalisation is a key factor. 2 Member States (AT, SE) still lack a **flexible IT system to manage VAT arrears (R28).** Nevertheless, progress has been made, as 25 Member States currently have such a system, compared with 21 in 2019.

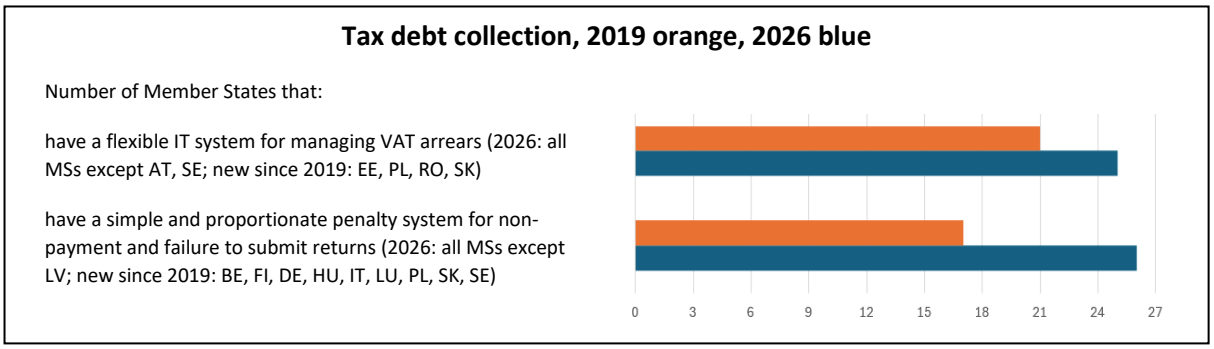
If taxpayers do not pay their arrears voluntarily, other, more repressive compliance measures such as penalties are necessary. In this area, 26 Member States (all except LV) have made considerable progress by applying a **simple and proportionate penalty system for non-payment and failure to submit returns (R25)**, compared with 17 Member States having such a system in 2019.

More generally, Member States should strengthen tax debt recovery performance to reduce compliance gaps by investing in efficient procedures, adequate administrative capacity, and, where relevant, AI and digital technologies with suitable safeguards. **At national level,** this means strengthening central recovery authorities

by giving them **full access to relevant information**, **improving cooperation** with insolvency bodies and courts, and **shortening assessment and appeal procedures** through simpler tax rules, faster investigations, and streamlined litigation. **At EU level**, although **mutual assistance** tools for cross-border recovery are available, they are still too often used at a very late stage, which limits their effectiveness. Further improvements are needed to ensure **timely and consistent follow-up to recovery requests**, more effective **cross-border asset tracing**, and **closer cooperation between tax recovery and insolvency authorities**. Member States should also amend their respective national legislation if that is needed to facilitate effective seizures of VAT refunds requested by taxable persons established in other Member States.

The table below represents the progress made by Member States from 2019 to 2026 in their administrative practices in enforcement and tax debt collection.

Figure 10: Tax debt collection (2019-2026)



Actions to further improve the process for tax debt collection

- Member States should **improve speed, coordination and enforcement capacity to raise recovery rates**, particularly in complex cross-border, fraud and insolvency cases.
- Member States should **invest in faster, more digital and better coordinated recovery systems**, including stronger cooperation with insolvency bodies and courts. Moreover, at EU level, authorities should **use mutual recovery assistance earlier and more systematically, especially in high-value and cross-border cases.**
- Member States should set up **general, comprehensive, transparent, risk-based enforcement frameworks** that combine automated detection, graduated compliance interventions, proportional financial penalties, and systematic follow-up to improve compliance and reduce disparities in effectiveness.

4.3 Special focus on the fight against VAT fraud

VAT fraud remains a serious and persistent challenge for Member States and the European Union. It encompasses a wide range of illegal practices through which economic operators evade their VAT obligations, thereby reducing government revenue and distorting market conditions. Cross-border VAT fraud is particularly difficult to detect and combat, requiring coordinated action at both national and EU level.

Missing trader intra-Community fraud (**MTIC fraud**) is occurring mostly in business-to-business (B2B) supply chains of high-value or high-mobility goods and costs Member States between EUR 12.5 and EUR 32.8 billion every year[25]. Fraudsters acquire goods and services VAT-free from another Member State, supply them to

[25] European Commission: Directorate-General for Taxation and Customs Union, Austrian Institute of Economic Research Vienna, CASE Center for Social and Economic Research, PwC PricewaterhouseCoopers LLP, Loretz, S. et al. (eds), 'VAT compliance gap due to Missing Trader IntraCommunity (MTIC) fraud – Final report – Phase 1', Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2778/25011.

other businesses and charge VAT, and subsequently disappear without remitting the VAT to the tax authorities, hence the term 'missing trader fraud'. Given the need to strengthen EU coordination and operational approaches against various types of VAT fraud, the EUROFISC network was established in 2010. Composed of liaison officials of the 27 Member States and Norway, it processes and analyses data to identify risks that should be further taken up at national level. Despite noteworthy and increasingly positive achievements of this informal network of anti-fraud experts, some areas would benefit from further improvement.

EUROFISC fraud signals, which can help detect fraudsters, are not acted upon quickly enough with administrative measures at national level. Some Member States are swift in identifying **potential VAT fraudsters (= qualification phase**), while others are swift in **invalidating VAT identification numbers**, preventing fraudsters from continuing their fraudulent activities. But in general, the time it takes from identifying a possible fraud risk within EUROFISC to the invalidation of a VAT number in VIES varies considerably among Member States. More effort is required to speed up reaction time on risk signals coming from EUROFISC and provide the necessary follow-up actions to adequately deal with MTIC fraud. Where a fraudulent operator has been identified and a registration number has been invalidated, the relevant information should be transmitted without delay to the competent authorities in the other Member States concerned, so that appropriate action can be taken across the EU.

While Member States have been reinforcing their joint fight against MTIC fraud through EUROFISC, they are yet to join up forces in their fight against **e-commerce fraud**. This type of **fraud** is an area of growing concern. The rapid expansion of online trade, distance sales and imports of low-value goods has created new opportunities for fraudsters – often very well organised criminal networks or groups - to exploit weaknesses in the VAT systems. Non-compliance by online sellers, under-declaration of goods, misuse of VAT exemptions and the concealment of the identity or location of traders are contributing to revenue losses. The scale and speed of digital transactions, often involving multiple jurisdictions, further complicate enforcement and increase the risk of systematic abuse.

To this end, Member States should further step up their **compliance interventions**. The European Court of Auditors stressed - in its Special Report on VAT fraud on imports – that Member States should improve administrative cooperation, data sharing and controls across Member States, using EU information systems and cooperations tools[26]. Member States should have a risk and control strategy that tackles IOSS abuse. In 2019, nearly half of the Member States (DK, EE, EL, HR, IT, LT, PL, PL, RO, SI, SK, FI and SE) are not carrying out ex officio deregistration for MOSS traders, while the remaining ones (especially BE, ES, CZ, FR, CY, IE and LV) cleaned their MOSS databases through ex officio deregistration **(R26).** In 2026, 18 Member States reported having put an effort in making the OSS database more accurate. 13 Member States (EE, LT, AT, HU, FI, SE, IE, FR, SI, IT, MT, ES, LU) indicated having encountered and monitored abuse of the OSS system.

More recently, additional means to detect e-commerce VAT fraud became available after the entry into operation of the Central Electronic System of Payment information **(CESOP)** in April 2024. From that date on, payment service providers must transmit information on payees receiving more than 25 cross-border payments per quarter to the tax administrations of EU Member States. This information is stored in the CESOP database. After being aggregated and cross-checked with other European databases, CESOP data is made available to Member States' anti-fraud experts (liaison officials) in EUROFISC.

Despite the CESOP being at its early stages of implementation and currently facing operational challenges[27], several tax administrations have acknowledged its potential and have identified good practices in its use: approaches to identify and consolidate payee records and to cross-check CESOP data with other sources,

[26] European Court of Auditors, Special Report 8/2025, 'Value Added Tax fraud on imports', Special Report ECA 08/2025.

[27] During the bilateral meetings with Member States, it turned out that, although very useful in the fight against VAT fraud, CESOP still has some challenges. Member States reported several practical challenges in the use of CESOP data. The most frequently cited operational issues concern the difficulty of downloading data in bulk, the lack of full automation, and the need for several manual steps, including email exchanges and explanations of the necessary procedures. Tax administrations also face difficulties in integrating the very large volumes of CESOP data into current IT systems, while limited staff availability constrains both analysis and audit follow-up. Further challenges relate to data quality and accuracy. In addition, several Member States underlined the importance of addressing legal issues on the use and access to data, as well as ensuring a high level of data security and personal data protection.

notably DAC7, OSS data, EUROFISC information and platform audits. In audit contexts, CESOP payment data can serve as an independent source to confirm discrepancies between cross-border payment flows and declared VAT, thereby improving the detection of underreporting. Some administrations also analyse CESOP data to identify patterns and prioritise risks. Good practices also include organisational and technical measures, such as the creation of specialised IT teams for the secure use of data, CESOP's integration into advanced risk analysis and its provision to auditors and investigators dealing with VAT fraud. All Member States are encouraged to learn from these good practices and to exploit all current and upcoming CESOP functionalities. In addition, they should **prioritise e-commerce fraud** and are strongly encouraged to actively take part in ongoing and upcoming initiatives at EU level and specifically in EUROFISC, which will **foster joint risk analysis and subsequent follow-up actions** at national level. Rapid intervention is particularly important in the e-commerce context, where fraudulent traders can swiftly shift between schemes, jurisdictions and online marketplaces[28].

Finally, addressing VAT fraud requires sustained and reinforced action by all relevant actors at both national and EU level. **Member States should intensify investment in the EU dimension of fraud prevention and enforcement, while maintaining strong national action.** To support Member States in their battle against intra-community VAT fraud, the Commission has revised Council Regulation (EU) No 904/2010 in 2026. This resulted in a strengthened EU framework for administrative cooperation to combat VAT fraud, mainly by providing the European Public Prosecutor's Office (EPPO) and the European Anti-Fraud Office (OLAF) access to certain VAT data already exchanged at the EU level. Looking ahead, the Commission is also exploring ways to close down opportunities for IOSS abuse specifically in the e-commerce context. Work is ongoing to strengthen the security of the IOSS, including options based on a token-type verification mechanism, whereby each parcel declared under the IOSS could be accompanied by a digital marker generated by the IOSS holder, allowing customs authorities to verify the legitimate use of the IOSS number at the point of import. Such a mechanism is intended to prevent parcels without valid verification from entering the EU VAT-free.

5. Conclusion

Inconsistent and non-optimal VAT processes and procedures diminish the tax revenue of Member States. Lower VAT revenue not only reduces the own resources for the EU budget but also shrinks national budgets, as VAT is an important source of national income. Imperfect VAT administration hampers the rights of honest taxpayers and creates incentives for non-compliance or fraud. To serve taxpayers well, EU tax administrations should aim at offering quality services and provide a fair and just VAT system.

In the ninth report (2022)[29], the Commission put forward recommendations for national VAT collection and control systems. Generally, EU tax administrations observed the previous recommendations and achieved some improvements, notably in digitalisation, taxpayer service and compliance management. Nevertheless, these VAT administration measures must be supported by additional tax policy reforms (outside the scope of the report) to see much larger gains.

Building on the findings of the present report, tax administrations need to further step up efforts and:

1. ensure accurate taxpayer identification management with an up-to-date database through preliminary checks and systematic risk monitoring, including with external data sources and targeting unregisters businesses;

[28] In 2030, Central VIES will be introduced as part of the ViDA package. Information on VAT numbers' status can then be exchanged. The VAT numbers in different Member States will be linked, and it would be possible to have a report on those taxable persons which have invalidated VAT number in one Member State but are still active in another thus making them a reasonable target for audits/checks.

[29] European Commission: Directorate-General for Taxation and Customs Union, 'REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL Ninth report from the Commission on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89', **EUR-Lex - 52022DC0137 - EN - EUR-Lex**.

2. optimise VAT pre-filing, starting from e-invoicing and digital reporting using both internal and external data sources, paving the way for the full implementation of ViDA;
3. further reinforce compliance risk management through the deployment of risk analysis approaches at all phases of the VAT cycle, based on VAT gap monitoring and findings, while integrating behavioural insight;
4. provide for a segmented control strategy composed of agile and varied audit and other control interventions based on risk profiles, seeking for high return on investment and fair taxation;
5. expand the deployment of an e-payment solution, with the gradual phase-out of cash payments, within an integrated digital payment system allowing systematic monitoring;
6. invest in faster and better coordinated digital recovery systems, improving speed, coordination and recovery capacity, especially for complex cross-border fraud and insolvency cases.

The Commission calls upon EU Member States to take steps to not only help generate the tax revenue needed to address the major challenges of an increasingly globalised and digitalised world but also to support the effective functioning of the single market by creating a level playing field and fostering favourable economic conditions for individuals and businesses across the European Union.

Annex 1: Index of recommendations from the ninth report of 2022

Recommendation 1: Calculate and analyse the national VAT gap and its different components (missing trader intra-community fraud, e-commerce, etc.)

Recommendation 2: Inform taxpayers online about their VAT-related obligations and provide for online registration

Recommendation 3: Improve automatic exchange of information between tax administrations and other national bodies

Recommendation 4: Maintain an accurate and complete VAT database

Recommendation 5: Perform legal and ID verifications and systematic preliminary checks based on risk indicators

Recommendation 6: Keep a record of applicants to whom registration has not been granted

Recommendation 7: Cross-check the information held in the VAT registration database against third-party information sources

Recommendation 8: Have in place processes to detect taxpayers who fail to register and focus on the specific economic sectors with a significant number of unregistered businesses

Recommendation 9: Integrate a risk assessment procedure in the registration process

Recommendation 10: Perform a follow-up check on VIES registration numbers and analyse the possibility of the suspension or removal of the VIES number in the event of fraud

Recommendation 11: Link the IT registration information system with other subsystems of the tax administration, such as filing and payment, collection and audit

Recommendation 12: Allow VAT payers to access, visualise and modify their VAT-relevant data via a secure online connection

Recommendation 13: Create or maintain a register of e-commerce taxpayers

Recommendation 14: Set up a dedicated information channel for MOSS and systematically perform preliminary registration checks for MOSS purposes

Recommendation 15: Increase efforts to keep the MOSS database accurate

Recommendation 16: Improve the audit activity on MOSS-registered businesses

Recommendation 17: Invest in substantial IT upgrades, while maintaining existing IT systems based on overall needs analysis

Recommendation 18: Invest in IT staff with a view to improving both their number and their skills

Recommendation 19: Mitigate risks through a compliance management plan that includes the main compliance threats and monitor its implementation on a regular basis

Recommendation 20: Adopt a service-oriented attitude towards VAT payers and use the opportunity offered by the interaction with taxpayers to provide high-quality VAT administration services

Recommendation 21: Explore the possibility of using several data sets for VAT compliance purposes and permanently increase the quality of the exchange of information and administrative cooperation

Recommendation 22: Collect meaningful data, balance risk evaluation analysis and profiling solutions, and continue investing in analytical capability

Recommendation 23: Continue efforts for a higher on-time filing rate as a good indicator of the robustness of the VAT system

Recommendation 24: Be proactive in reminding taxpayers of filing deadlines and use specific supporting tools

Recommendation 25: Design a penalty system for failure to submit VAT returns and failure to make payments on time, bearing in mind two key principles: simplicity and proportionality

Recommendation 26: Limit VAT payments in cash as much as possible

Recommendation 27: Use an online channel solution and maintain and upgrade other back-up communication channels for interaction with VAT payers

Recommendation 28: Maintain a flexible IT subsystem to manage and prioritise VAT arrears

Recommendation 29: Pay legitimate tax refunds promptly, while having procedures in place to prevent payment of fraudulent claims for VAT refunds

Recommendation 30: Implement the observed good practices if high values of VAT refunds are paid after the statutory date

Recommendation 31: Link the refund process with the registration component (check taxpayers' identities to prevent fictitious traders from entering the VAT system) and integrate it with their compliance risk management system

Recommendation 32: Use sector-specific audit manuals, cooperate with other agencies, update and review audit plans and monitor the quality of audit function in accordance with a documented process

Recommendation 33: Make use of EU tools available, exchange experiences and good practice in the use of different tools and procedures and collaborate (e.g. joint audits) to increase the efficiency of the audit functions

Recommendation 34: Adjust the scope and intensity of VAT audits to meet needs

Recommendation 35: Complement audit measures with other, non-audit compliance measures

Recommendation 36: Ensure that accounting systems interface with other systems and include procedures to systematically review and correct the taxpayer record

Recommendation 37: Put in place an adequate internal audit process for the accounting system, to ensure alignment with tax laws and accounting standards

Recommendation 38: Monitor the dispute resolution process, draw conclusions to support improvement of the general investigation methods and refine the tax assessment procedures

Recommendation 39: Review and update business continuity plans and test them periodically in real-time scenarios

Annex 2: Index of figures and tables

Index of figures

Figure 1: VAT compliance gap by country (as % of VTTL, 2023 vs 2022)

Figure 2: Growth of e-commerce acquisitions by individuals (2015, 2025)

Figure 3: Registration, deregistration and identification of taxpayers (2019, 2026)

Figure 4: Tax filing and assessment (2019, 2026)

Figure 5: Compliance risk management (2019, 2026)

Figure 6: Audit (2019, 2026)

Figure 7: Payment and collection (2019, 2026)

Figure 8: Closing stock of arrears at year end as percentage of total revenue collected (2024, 2023, 2024)

Figure 9: Closing stock of collectable arrears as percentage of closing stock of arrears (2020, 2023, 2024)

Figure 10: Tax debt collection (2019, 2025)

Textbox 1: example of a dedicated VAT gap department

Textbox 2: use of AI for taxpayer service

Textbox 3: e-Tax office

Textbox 4: VAT-return

Textbox 5: Tax Echo

Annex 3: Reports from the Commission to the European Parliament and the Council on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89

- Report 2019: Report from the Commission to the Council and the European Parliament – Ninth report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures, COM(2019) 780 final;
- Report 2017: Report from the Commission to the Council and the European Parliament – Eighth report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures, COM(2017) 780 final;
- Report 2014: Report from the Commission to the Council and the European Parliament – Seventh report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures Seventh report, COM(2014) 69 final + Annex SWD(2014) 38 final;
- Report 2008: Report from the Commission to the Council and the European Parliament - Sixth Report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures, COM(2008) 719 final + Annex SEC(2008) 2759;
- Report 2004: Report from the Commission to the Council and the European Parliament - Fifth report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures, COM(2004) 0855 final;
- Report 2000: Report from the Commission to the Council and the European Parliament - Third Article 14 report on the application of Council Regulation (EEC) No 218/92 of 27 January 1992 on administrative cooperation in the field of indirect taxation (VAT) and Fourth report under Article 12 of Regulation (EEC, Euratom) No 1553/89 on VAT collection and control procedures, COM/00/0028 final;
- Report 1998: Report from the Commission to the Council and the European Parliament - VAT collection and control procedures applied in the Member States - Third Commission report [Article 12 of Regulation (EEC, Euratom) No 1553/89], COM/98/0490 final;
- Report 1995: VAT Collection and Control Procedures Applied in Member States - 2 Article 12 Report, COM/95/354 final;
- Report 1992: VAT Collection and Control Procedures Applied in Member States - First report, SEC(92) 280 final