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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EX-ANTE EVALUATION

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing the "Fiscalis" programme for cooperation in the field of taxation**

{COM(2018) 443 final} - {SWD(2018) 323 final}

Executive Summary Sheet

Ex-ante evaluation on a Proposal for a Regulation establishing the Fiscalis programme for cooperation in the field of taxation

A. Need for action

Why? What is the problem being addressed?

Over the recent years, the political agenda in taxation has been increasingly influenced by **trends** such as international tax competition between countries and aggressive tax planning strategies by companies. Nowadays, tax administrations are also faced with the impacts of digitalisation, new economic models – such as e-commerce and sharing economy – and resource cuts.

Against this background, tax administrations suffer from a **problem** of insufficient capacity and insufficient cooperation – both within the EU and with third countries – to carry out effectively and efficiently their missions.

The **drivers** at the root of this problem are two-fold:

- unequal capacity of tax administrations: *unequal skills*, which entails that some may be more advanced / agile than others to respond to the identified trends; *unequal functioning*, which entails inconsistencies in the quality of processes and operations, with some being more performing than others; *unequal IT systems*, which entails that some may be better equipped with IT systems than others;
- obstacles for cooperation between tax administrations and other stakeholders: *strategic obstacles* (divergence in terms of priorities and strategic objectives, fiscal competition, etc.), *geographical obstacles* (relations among Member States and with third countries), *legal obstacles* (absence or inadequacy of legal cooperation framework, non-harmonised tax systems, mismatches of rules, uneven interpretation of tax concepts, etc.) and *administrative obstacles* (different processes, interoperability, etc.).

The **effect** of this performance problem is an inadequate functioning of tax systems in the EU, which in turn jeopardises the functioning of the internal market and the 4 freedoms, wrecks social fairness and undermines EU competitiveness.

What is this initiative expected to achieve?

1. The Programme has the general objective to support tax authorities and taxation to enhance the functioning of the single market, foster Union competitiveness and protect the financial and economic interests of the Union and its Member States.

2. The Programme has the specific objective to support tax policy, tax cooperation and administrative capacity building, including human competency and the development and operation of the European electronic systems.

What is the value added of action at the EU level?

The EU tax objectives of fighting against tax fraud, tax evasion and tax avoidance, improving tax fairness and transparency as well as supporting the functioning of the single market and competitiveness cannot be achieved by the Member States alone. Common rules, coordination and cooperation between Member States' tax administrations are needed to deliver on these objectives and face all related challenges.

Such a high degree of cooperation and coordination can only be achieved with a centralised approach, ideally at Union level. Fiscalis activities are more cost-effective than if each participating country were to set up individual cooperation frameworks on a bilateral or multilateral basis and develop national IT solutions for transnational problems. The Fiscalis activities and mechanisms of cooperation moreover allow deepening significantly the trust amongst national tax administrations that is necessary for a smooth cooperation and co-functioning of EU tax systems in the single market.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

The "continuity plus" policy option (preferred option) was considered in comparison with the current Fiscalis 2020 programme. Under this option, the programme would aim to deliver fully on the EU tax policy agenda by not only developing and maintaining IT systems but also effectively addressing present and incoming tax challenges in line with recent political developments and future commitments in view of the high expectations from EU citizens and businesses to jointly address tax fraud and evasion problems and make meaningful progress with the completion of the internal market. It would in particular allow for enhanced operational cooperation on key (geographic or sectoral) issues of interest to large sub-groups of participating countries and tackling better innovation needs. While pooling only limited additional funds at EU level, it would allow avoiding duplication of work, fostering advanced cooperation

and standardisation, benefitting from economies of scale and thereby, as demonstrated by recent experiences, increase significantly the programme's overall added value and enhance the functioning and modernisation of the taxation systems and thus the internal market.

Concretely, this option would propose a comprehensive framework to address coherently the challenges identified above. On top of the continuity of existing IT systems as of 2020 ("legacy 2020"), IT capacity building would ensure that new IT projects can be on-boarded as it has happened so far; in addition, innovation would be made possible, i.e. some budget is also available for working on new technologies and trends (e.g. e-commerce, big data, data analytics, blockchain). Cooperation would be increased and intensified – although only limited additional financial means would be required – in order to help simplify rules, improve compliance, prevent where possible and fight fraud and increase transparency as well as to accompany the enhanced exchange of information brought about by new IT developments. Such increased cooperation would materialize not only through the traditional joint actions and capacity building activities but also through enhanced operational cooperation.

Who supports which option?

All stakeholders favour the "continuity plus" policy option. Stakeholder's consultations mainly focused on tax administrations as direct beneficiaries of the programme. They also strongly supported the continuation of this well-functioning programme and suggested reaping exponential benefits by reinforcing marginally its actions as per this option.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

Tax administrations are the direct beneficiaries of the programme. Under option the "continuity plus" policy option, the programme will provide them with the necessary (operational, organisational, methodological and budgetary) framework for cooperation. Administrative capacity building, including IT and human capacity, will help them evolve further towards modern administrations able to deal with the increased number of core tasks incumbent on them. The preferred option would allow the Union to maintain its current role and capacity of steering the tax agenda by combining tax regulatory interventions with integrated implementation approaches with specific and meaningful EU actions in the tax field. All the substantial enhancements suggested under this scenario would allow reinforcing exponentially the effects of the well-established joint actions and IT / human capacity building initiatives and thereby reaping significantly more benefits from Fiscalis.

What are the costs of the preferred option (if any, otherwise main ones)?

No specific economic, social and environmental negative impact is expected.

How will businesses, SMEs and micro-enterprises be affected?

The programme does not include any measure targeting directly businesses, SMEs and micro-enterprises. Some indirect benefits for businesses will come from available training tools.

Will there be significant impacts on national budgets and administrations?

The programme aims at financing actions in favour of tax administrations. The main expenditure will happen through public procurement for developing and running European IT systems. Those systems not being fully centralised, investments are also needed at national level for putting them in place.

Will there be other significant impacts?

There are no other significant impacts.

D. Follow up

When will the policy be reviewed?

To facilitate the evaluation of the programme, a framework for monitoring the results achieved by the programme will be put in place. Full transparency with regular reporting on monitoring and evaluation to the European Parliament and to the Council will be ensured. An interim evaluation looking at the achievement of the objectives of the programme, its efficiency and its added value at European level will be carried out. A final evaluation will deal with the long-term impact and the sustainability effects of the programme.