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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Tax fraud and evasion – better cooperation between national tax authorities on exchanging information

Accompanying the document

Proposal for a Council Directive

amending Directive 2011/16/EU on administrative cooperation in the field of taxation

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Executive Summary Sheet
Impact assessment on Tax fraud and evasion – better cooperation between national tax authorities on exchanging information
A. Need for action
Why? What is the problem being addressed?
The problems are a) limited reporting of money earned via digital platforms; b) inefficiencies in cooperation between tax administrations. As the digital economy expands and is expected to grow in the coming years,the problems are expected to grow worse in the absence of EU intervention. The evaluation of the Directive on Administrative Cooperation pointed out that, while the framework is robust overall, not all Member States are exploiting the tools in the same way. Providing clarifications for targeted features of administrative cooperation (foreseeable relevance definition, joint audits, group requests) is expected to improve the efficiency and effectiveness of administrative cooperation. The digital and global nature of the digital platform economy, linked with a fragmentation of income gained through various platforms and differences in reporting requirements across countries, pose a challenge in terms of the proper reporting of money earned through digital platforms. Member States consider that limited reporting is rather frequent. Different implementation and use of information make cooperation inefficient. Digital platforms and tax administrations are the most affected stakeholders.
What is this initiative expected to achieve?
The main objectives are ensuring a fair and consistent functioning of the internal market, while safeguarding Member States' and EU revenues. It is expected that the intervention may lead to more than €30 billion of additional tax revenues, overall in the EU, by 2025.
What is the value added of action at the EU level?
Member States' actions do not provide an efficient and effective solution to problems that are transnational in their essence: digital platforms enable buying and selling goods and services over the internet irrespective of borders or jurisdictions, allowing sellers to earn income from potentially "everywhere" other than their country of tax residence. Inefficiencies in administrative cooperation also demand transnational solutions, as cooperation by definition has to take place across borders to be effective.

B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?
The following options have been considered: a) non-legislative guidelines; b) legislative intervention with sub-options in terms activities, platform operators and sellers in scope; c) legislative intervention to strengthen administrative cooperation. The preferred choice is a legislative intervention to strengthen administrative cooperation and cover all platforms and sellers to ensure the broadest possible results in terms of tax compliance and level playing field.
Who supports which option?
A majority of Member States have expressed support for the preferred choice. The targeted consultation of platform operators concurred to favour a legislative intervention, with as little distortions as possible across platform operators.
C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise main ones)?
The intervention is expected to have significant direct economic benefits. It will have a positive impact on tax collection, with estimated additional tax revenues of circa €30 billion (higher bound estimate). Those revenues will allow funding Member States' economic and social policies. The initiative is also expected to level the playing field for platform operators and for those who use platforms to sell their goods and/or services. It will also contribute to greater fairness as trust in the tax system, with a fair burden-sharing across taxpayers.

What are the costs of the preferred option (if any, otherwise main ones)?
By analogy with previous reporting requirements, the costs for tax administrations can be estimated at circa €200 million of one-off development costs and up to €30 million of recurrent costs. The costs for platforms are

estimated overall at €875 million one-off costs and circa €100 million of recurrent costs. Costs are estimated for all platforms and, on average, would be in tens of thousand of euro per platform (recurrent costs). These estimate are however based on a number of assumptions and extrapolations and should be used with caution.
How will businesses, SMEs and micro-enterprises be affected?
The intervention is expected to have an impact on small and medium sized businesses, as all digital platforms and sellers are covered by the initiative irrespective of size. While the initiative will bring compliance costs, it may be more favourable to SMEs than the current patchwork of reporting requirements across the EU. The initiative should also level the playing field across players, which should benefit SMEs.
Will there be significant impacts on national budgets and administrations?
There will be additional costs for tax administrations in developing IT systems to enable reporting, store and use data, estimated, for all 27 EU tax administrations, at circa €200 million of one-off development costs and up to €30 million of recurrent costs. The benefits for national budgets in terms of additional tax revenues are estimated in tens of billion of euro (upper bound estimate: circa €30 billion).
Will there be other significant impacts?
The intervention will comply with the General Data Protection Regulation and therefore will not impact negatively the fundamental right to protection of personal data.
D. Follow up
When will the policy be reviewed?
The intervention will be monitored through information collected via yearly surveys and discussions with tax administrations. A more comprehensive assessment will take place in 2023, when the Commission is due to present a report to the European Parliament and the Council on the functioning of the Directive administrative cooperation in direct taxation.