Impact of the VAT Action plan on the VAT Gap in the Nordic Member States.

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The thesis researched the benefits of the VAT Action plan proposed by the European Commission to simplify and modify the VAT collecting process rules. The VAT Action plan aimed to examine VAT rates within the EU, reorganize cross-border trade and fight against fraudulent actions. The development of such complex reform required a significant amount of time and resources, and cooperation among all Member States. The thesis explained the theory behind the VAT system and examined problematic of fraud.

Quantitative and qualitative methods were used for data analysis. The qualitative analysis measured the subject of reform and its need for the EU market area. At the same time, quantitative analysis measured the impact of fraudulent actions on VAT revenue within the European Union. The relation between them provided a result and evaluated the future model's efficiency in the VAT collection scenario.

The results indicated the importance realization of the European Commission's decision to implement the VAT Action plan. However, due to complex bureaucratic apparatus, the real-time implementation overextended in time, with multiple implementation stages. The results of this work showed that implementing of the VAT Action plan stages would impact on both B2B and B2C companies, as well as it will bring more VAT income to Member States. Even the most prosperous countries - Sweden, Finland, and Denmark will gain decent results from implementing new rules and reforms.

Keywords: Value Added Tax, VAT Action plan, VAT collection system, VAT fraud, Nordic Member States, Single EU market.

Table of contents

1 Introduction

The Value Added Tax (VAT) has become a significant and increasing center of economic activity in the European Union (EU), rising marginally almost as much as EUR 1 000 billion in 2015. That is around 7% of EU Gross Domestic Product or 17.6% of overall national tax income (Eurostat 2017b). The existing Value Added Tax system developed in a decentralized way and cannot constantly change the world economy and technology. The existing system is too challenging to raise the percentage of businesses that could work in cross-border trade. In addition, VAT fraud had also increased because of the difference in prices and legislation of internal and cross-border transactions. As products and services are sometimes sold without VAT within the Eurozone, it opens a possibility for fraudulent actions. In 2015, the overall VAT loss value in the EU was projected at EUR 151 billion. Which defines a deficit of 12% of the overall VAT income and a significant income drop over the decade. (CASE 2019, 8.)

For all these purposes, a redesign of the VAT system is necessary for taxation standardization throughout the EU. Eventually, the European Commission had agreed to set up a single VAT area via a vision of the VAT Action Plan and modify the existing Council Directive 2006/112/EC on the standard VAT system. It will force the VAT system's optimization, help avoid VAT fraud, fix the VAT deficit, and ease a load of VAT taxes on payers. The reform aims to modify the Mini One-Stop Shop system and restructuring the taxation system of cross-border transactions inside the EU. The reform aims to strengthen the institutional collaboration among Member States tax authorities, reshape and integrate the tax rates, and change the VAT system for businesses and particularly SMEs. (Council of the European Union 2006, 9-12.)

The Action Plan will help reduce the different forms of tax fraud, such as missing trader fraud, carousel fraud, and import fraud. Essentially, the framework focuses on the Member States' collaborative efforts and the sharing of data among financial institutions and tax authorities. The mission is to develop an excellent single VAT area throughout the EU to encourage economic development, financing, productivity, and job opportunities throughout all Member States. (European Commission 2016a, 1.)

1.1 Background

The idea behind this thesis is about the problem of the VAT collection in the Eurozone. Implementation of the new regulation agreed by European Commission in February 2020 and introducing new reforms in July 2021 (European Commission 2020b, 1). One of the justifying reasons for the reform is based on statistical reports from the European Commission from the center for social and economic research, the Institute for advanced studies, and the University of Barcelona in 2019 (CASE 2019, 71). The upcoming reform will indicate that certain sellers could report all their sales within the EU on a single VAT return in their base country. It prevents having numerous VAT registrations in the countries of operation of that specific company in the EU. The target is to force cross-border online trade and contribute sales via the EU's digital common market.

The Action Plan on VAT was introduced and declared in April 2016 by the European Commission to establish a Single VAT zone. The strategy contains plans to update the existing Directive on the standard VAT scheme. The planning of the whole transition began in December 2010 with the announcement of the Green Paper on the future of VAT (European Commission 2010, 1). This report initiated a dialogue and a rational analysis among buyers and sellers and the European authorities on the new VAT scheme. The thoughts are consistent: an overhaul of the VAT system is essential as well as needed.

The restructuring would carry several various fields and frameworks. One of them is the revision and extension of the proposal and payment system named Mini One-Stop-Shop. (European Commission 2013, 2). Member States are impressed with the MOSS because they receive higher volumes of VAT than before. Only in 2015, after the implementation of MOSS, it brought 3 billion euros in VAT collection (European Commission 2016b, 8). The Commission proposed new rules permitting organizations that sell merchandise online to deal with all their VAT commitments in the EU through an advanced online gateway called One-Stop-Shop, facilitated by their tax organization and in their language. (European Commission 2016, 10.)

They simplify the cross-EU processing of VAT on services brought to market in the Member States, even when the supplier is based in another Member State. Although this move does not modify the rules on the position of service, a company continues to have a responsibility to define, report and pay VAT anywhere in the single VAT area. That new concept will replace the scheme of remote sales defined in Article 34 of the current VAT Directive. (European Commission 2016b, 10.)

In order to motivate the creation of effective ways of taxation for EU firms and other foreign export markets, the new plan should introduce schemes that the foreign contractor may freely implement when purchasing less than EUR 150. If the MOSS scheme is not used or when the agreement's amount is less than EUR 150, Council Directive 2017/2455 provides an alternative and different VAT declaration and new settlement legal framework.

The Commission addressed the tax regime of cross-border trades within the EU in October 2017. The Commission found that the current arrangement is unworkable for a growing number of businesses. The Commission confirmed that cross-border transactions are among the leading causes of VAT abuse. (European Commission 2017b, 1.)

A further set of initiatives were introduced in November 2017. They aim to improve administrative coordination within Member States tax authorities and provide them with fewer combating fraud options. According to this plan, most of these steps will continue to apply on 01 January 2019 and the rest around 01 January 2020 or 2021. Steps include a close cooperation with other EU policies. (European Commission 2017b, 5.)

The Commission adopted another two plans for modernization of tax rates throughout the EU from December 2017 to January 2018. On 01 January 2019, the provisional figure was set to be 15 percent. Meanwhile, the second choice aligns with the introduction of the EU tax rates, thus allowing more flexibility for the Member States to implement taxation programs and regulations at the same time. The first choice was to retain the regular rate of at least 15 percent. The regular fixed VAT rate of 15% will be held. In the shift to a definitive scheme at periodic intervals, the selection of goods and services to benefit from a discounted rate will be checked in terms of national objectives. Member States should apply any opinions on more adaptation to the Commission. Thus, the Commission recommends setting up, during January 2019, the certified taxpayer's definition, as needed for specific requirements. (European Commission 2019, 4.)

In January 2018, the VAT framework for the small- and medium-sized enterprises (SMEs) was recommended to be updated by the Commission. Consequently, the system's reliability and uniformity will significantly increase. (European Commission 2018, 5.) In May 2018, the European Commission accepted the proposal of a new VAT structure as laid down in Article 402 of the Proposal of October 2017. That update influenced several articles, for instance an influence on governmental policies for intra-community trade. (European Commission 2019, 5.)

The VAT Action plan first step is to be completed on 01 July 2021, and the second on 01 July 2022. European Union institutions' will provide their assistance in VAT Action plan implementation. The President of the European Commission, Jean-Claude Juncker, called for its adoption urgently (Juncker, 2017). Unique plans on harmonizing VAT tariffs in the European Union will connect Member States regulations.

1.2 Research Question

This thesis target covers existing VAT collection problems, describes VAT loopholes, and represents the European Commission's ideas on minimizing fraud. The Thesis outcomes will explain and clarify the European Commission's decision to implement the VAT Action Plan and demonstrate how it will impact the VAT incomes in the Nordic Member States.

RQ. What is the European Commission VAT Action Plan's impact on the VAT Gap's future in the Nordic Member States?

- IQ 1. How may reform help to diminish the VAT Gap in the Nordic Member States?
- IQ 2. How will the VAT Action Plan affect businesses in the Nordic Member States?

Table 1. Overlay matrix.

Investigative questions	Theoretical Framework	Methods	Research results
IQ 1. How may reform help to diminish the VAT Gap in the Nordic Member States?	European commission database, VAT Gap reports, local reports	Internet research, Desktop research, Literature review, Qualitative and quantitative analysis	Chapter 4
IQ 2. How will the VAT Action Plan affect businesses in the Nordic Member States?	Legislation, VAT EU regulation, VAT reporting, Tax Code	Internet research, Desktop research, Qualitative and quantitative analysis	Chapter 4

1.3 Demarcation

The demarcation criteria for this thesis are to cover problems of the VAT collection and certain types of VAT loopholes that have an impact on cross-border trade. It will bring the understanding of the European Commission's decision to implement reform.

However, the EU consists of 27 members. Thus, the research will cover the effect of the reform only for the Nordic Member States. The impact of the VAT Action plan will be studied with a help of analysis of the statistical data. To demonstrate the main issues in the VAT Gap problem within the EU, most common schemes of VAT fraudulent actions are taken. Still, this work will pay special attention to the Nordic Member States.

1.4 International Aspect

The VAT collection reform will impact the EU Member States locally and globally in the intra-community trade and international suppliers and consumers. The proposed reform will be implemented in many steps for the next seven years. Each step will have an impact on a specific country or business in a different manner.

1.5 Benefits

The thesis will bring direct examples of the changes and effects of the reform used for any business locally or internationally. The thesis will be beneficial for the businesses that operate within the EU and businesses whose target market is the EU. The thesis will be useful for business that operates with multiple countries within the EU with different VAT rates (European Commission 2020a).

1.6 Key Concepts and Terms

E-commerce - electronic commerce means that orders and transactions are made using the Internet (UNEC 2011, 250).

ESS – electronically supplied services. The definition was stated in Regulation 282/2011 by European Commission. Services delivered by Internet or other networks, automated, with minimal human interventions (European Commission 2019).

The Nordic Member States – Eurostat glossary explains the Nordic Member States as Denmark, Finland, and Sweden (Eurostat 2017a). This explanation refers to the frames of this thesis.

OSS – (Import) One-Stop-Shop is the next step to modify MOSS and OSS proposed for the reform (European Commission 2015).

LVCR – Low-Value consignment relief. European Commission in 2015 commercial consignments that are not exceeding locals' thresholds is called LVCR (European Commission 2015).

MOSS – mini One-Stop-Shop is a simplified system to declare and pay VAT on supplies of telecommunications, broadcasting, and electronic services in the EU started in 2015 (European Commission 2015).

SME – one of the categories of micro, small and medium-sized enterprises (User guide to the SME Definition, 3).

TBE services – Council directive 2006/112/EC of 28 November 2006 define telecommunications, broadcasting, and electronic services as services related to transmission, emission, and reception of signals, words, images, and sounds with access to information networks (European Commission 2015).

VAT – Value added tax. It is a tax concept to prevent the cascade or stage of a general turnover tax (Oakland 1961, 1). It was first advanced in 1921 by T.S. Adams.

VAT Action plan – the European Commission's suggestion about creating a standard EU VAT area made in 2016 (European Commission 2016).

VAT collection method – there are two methods accounts-based and invoice-based (Ebrill, Keen, Bodin & Summers, 49).

VAT Gap – it is a definition of the difference between VAT revenue and VAT collection (European Commission 2018, 1).

2 Theoretical framework. Introduction to Value Added Tax

A fundamental theoretical framework is based on the theory of VAT, its adaptation, and evolution. To describe upcoming reform author will first cover elements of cross-border trade and loopholes of fraud and measures to solve fraud under the current rules and regulations. The VAT regulation and collection process plays a significant role in Europe's common market. However, the VAT collection procedures are sophisticated, and taxation regulations are varied among EU members. Thus, this thesis will present measures that the European Commission will implement starting from July 2021, with a timeline added in Appendix 4. The author uses various materials such as statistical reports, open-source databases, books, and articles to describe topics.

2.1 Value-added tax

Value-added tax is a so-called indirect tax. It means that the collection of this tax is split among suppliers or service providers, but in the end, a final consumer pays the total amount after purchase. However, the final consumer means that it can be a business that uses a product or service for its needs or the individual who buys a product or service for its individual use.

The value-added tax is collected as a so-called staged process. Business or taxable individuals must collect VAT based on their own settled margin and then report to the Tax authority in a certain tax period. In some counties, the value-added tax is called a tax on goods and services or GST, which still covers the primary purpose despite the different naming. (OECD/G20 2014, 41.)

2.2 VAT in EU

While the VAT collection process system is the same across the world, the VAT rates vary. It causes specific VAT collection issues in cross-border trade even within European Union (OECD/G20 2019, 5). In international trade, the VAT is returned to an exporter and then added by an importer based on a domestic tax rate. Within the EU in B2B trade works principle of Zero-tax rate. However, in B2C trade, it is more often when the seller is not located in the country of destination of goods. (Lamensh 2012, 12.) The following picture describes a work of a VAT system in a cross-border trade within the EU.

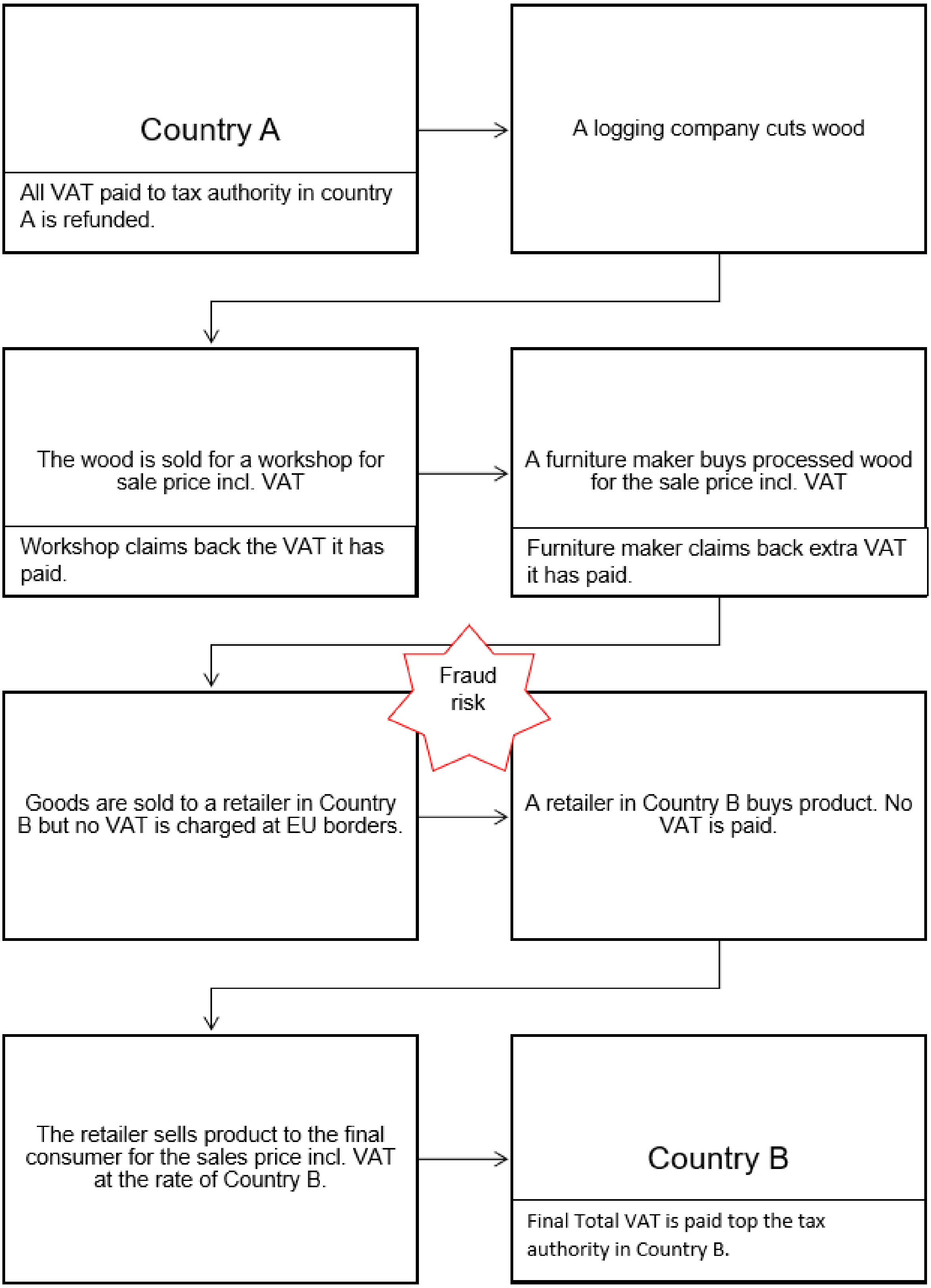

Figure 1. How does the current EU cross-border VAT system work? VAT Factsheet (European commission 2018, 2).

Company A, a wood supplier, sells to Company B goods without VAT added since cross-border transactions are exempt from VAT. The VAT is paid to the country B when the product will be sold to the final consumer. However, the VAT system is open to fraudulent actions. When a retailer buys goods VAT-free, it charges VAT to the final consumer but does not pay it to its treasury. Because of this fraudulent scheme, EU is short of 50 billion euros. (European Commission 2018, 2.)

2.2.1 VAT in the Nordic Member States

In Denmark, VAT is generally applied at a flat rate - 25%, with a few exceptions. VAT rates are not divided into two or more rates, as in other countries where essential goods such as food are calculated at a reduced rate. It makes Denmark, together with Norway and Sweden, one of the countries with the highest VAT rates. VAT has been reduced for several services, such as public transport for private individuals, healthcare, publishing newspapers, rental, and travel agencies. (OECD 2020, 37-39.) The following figure represents the VAT amount collected for the in 2017-2019. Results are in Danish Krone.

Tax name according to national classification (in English) CUST_BREAKDOWN_LB ▼	2017	2018	2019
Value added type taxes (VAT)	208643,00	217164,30	221236,60

Figure 2. National tax list. Tax revenue statistic Denmark (Eurostat, 2019).

In Finland, the introductory VAT rate has been 24% since 01 January 2013. In addition, there are two reduced rates: 1) 14% for food, 2) 10% for books, pharmaceutical products, physical exercise services, transport services. However, some goods and services are exempted under the Finnish VAT Act, e.g., medical care, social security services, education, etc.

Suppliers of such non-taxable services or goods are not subject of VAT and do not pay sales tax. In addition, such suppliers are not allowed to deduct VAT included in purchase prices of raw materials.

Åland Islands is an autonomous region and is excluded from the EU's VAT area; however, the VAT rate is the same as in Finland. (OECD 2020, 125-127.) The following figure represents the VAT amount collected in 2017-2019. Results are in Euros.

Tax name according to national classification (in English) CUST_BREAKDOWN_LB ▼	2017	2018	2019
Value added type taxes (VAT)	20404,00	21364,00	21974,00

Figure 3. National tax list. Tax revenue statistic Finland (Eurostat, 2019).

In Sweden, there are several levels of VAT. The standard rate for goods and services is 25%, 12% for food, and 6% for public transport services, books, printing, etc. Healthcare services and primary education are exempt from tax, except from private schools that pay 25%. Though, public events are taxed at 25%, tax for concerts is 6% and 0% for exhibitions and some cultural events. (OECD 2020, 128-130.) The following figure represents the VAT amount collected in 2017-2019. Results are in Swedish Krona.

Tax name according to national classification (in English) CUST_BREAKDOWN_LB ▼	2017	2018	2019
Value added type taxes (VAT)	424886	445241	461249

Figure 4. National tax list. Tax revenue statistic Sweden (Eurostat, 2019).

2.3 VAT Gap problem

The VAT Gap means the difference between the actual and expected VAT collection—the expected amount of collected VAT in the EU called VAT Total Tax Liability or VTTL. VTTL is expressed as a ratio. (European Commission 2014.) There are multiple reasons of the VAT Gap: bankruptcies, errors of tax authorities, and fraudulent actions. From 2013 to 2017, the VAT Gap in the EU decreased by almost 11,2 %, that equals to almost 15 billion euros. However, in 2018 the VAT Gap is remaining at 130 billion Euro. (CASE 2019, 9.) The recent report about the VAT Gap shows that in 2017 EU combined GDP increase by 2,5 percent. It leads to an increase in VAT revenue.

2.3.1 VAT Gap in Finland

Vat Total Tax Liability and VAT Revenue of Finland are presented in the figure below. The VAT Gap in Finland is one of the lowest among EU countries. Finnish VAT gap is decreasing and show 1 347 million euros in 2018 (CSE 2019, 48). Finland's VAT Revenue and VTTL table is attached as Appendix 1.

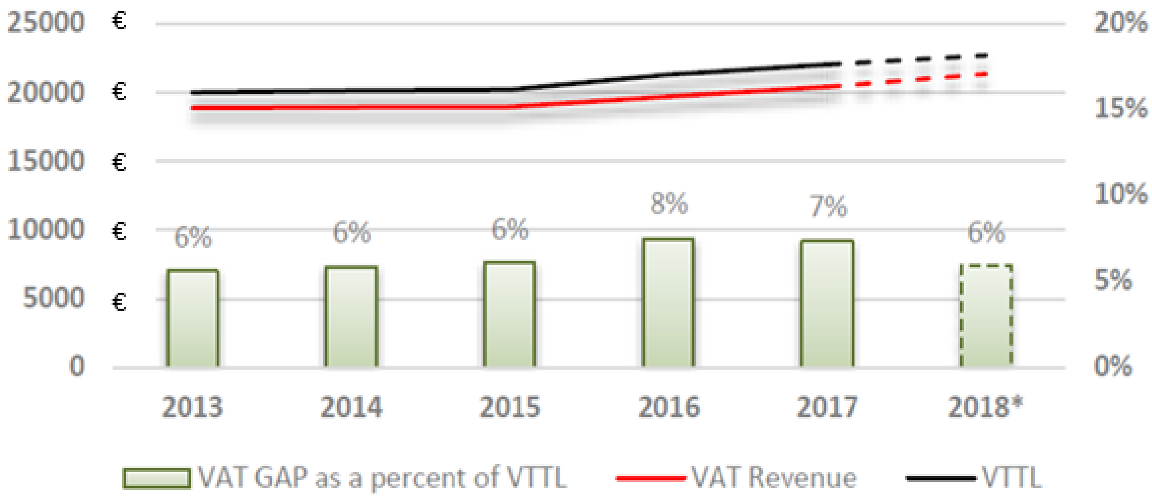

Figure 2. VAT of Finland Gap for the period 2013-2017 in percent and euros (CASE 2019, 48).

2.3.2 VAT Gap in Sweden

Vat Total Tax Liability and VAT Revenue of Sweden are presented in the figure below. The VAT Gap in Sweden is the lowest among EU countries. A recent study shows 1,5 % VTTL for 2017 and even falling below 0% for the future periods. The Swedish VAT gap was 220 million euros for the year 2018 (CASE 2019, 49). Sweden's VAT Revenue and VTTL table is attached as Appendix 2.

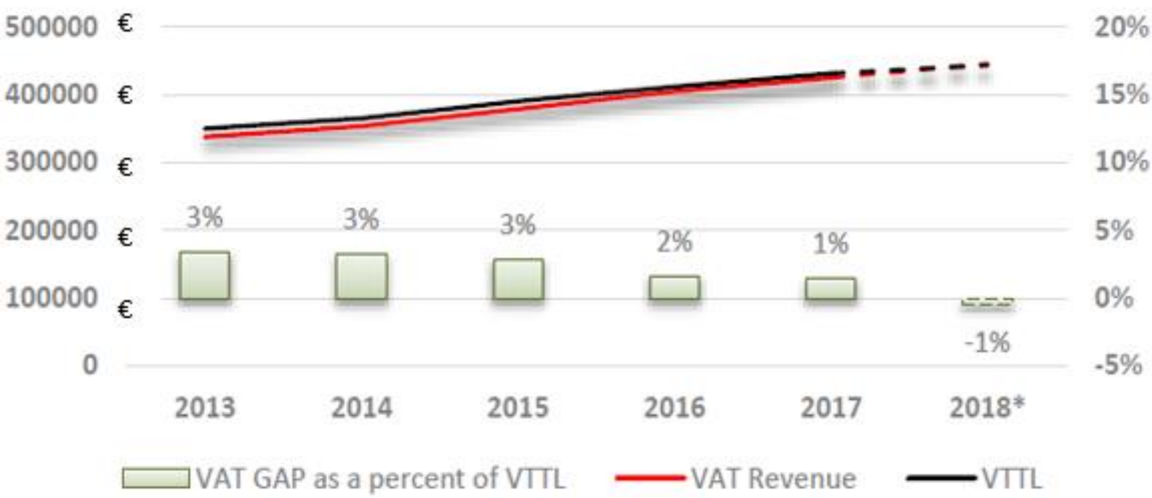

Figure 3. VAT Gap of Sweden for the period 2013-2017 in percent and euros (CASE 2019, 49).

2.3.3 VAT Gap in Denmark

Vat Total Tax Liability and VAT Revenue of Denmark are presented in the figure below. During the period 2013 to 2017, the VAT Gap in Denmark was decreasing. The recent report shows 7,4 % of the VTTL and estimates a downward trend for future periods. Danish VAT gap was 2 011 million euros in 2018 (CASE 2019, 24). Denmark's VAT Revenue and VTTL table is attached as Appendix 3.

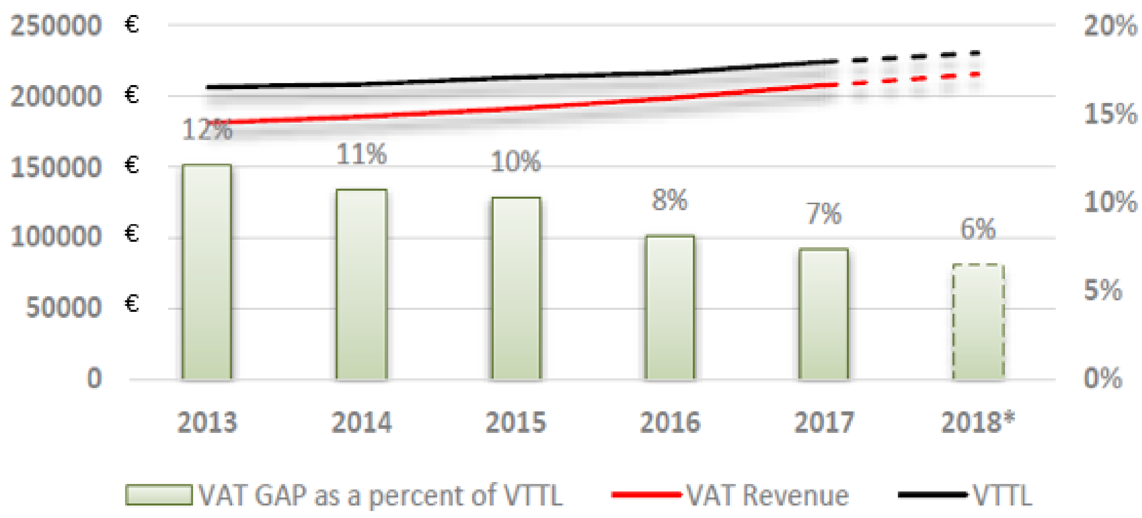

Figure 4. VAT Gap of Denmark for the period 2013-2017 in percent and euros (CASE 2019, 24).

2.4 VAT Fraud schemes

There are several types of fraud schemes. The typical ones are missing trading fraud, carousel fraud and VAT fraud in automobile market. The VAT Action Plan proposes strengthening the exchange of information and facilitating cooperation between tax authorities in fraud investigations. As the final framework for the application of the designation principle. Services and intangibles are often bought and sold online. Thus, the risk of detection or counterfeiting is significantly reduced, and it is more challenging to track locations and participants. New technologies for monitoring VAT collection and control can be an effective carousel control tool that needs to be applied quickly and consistently under these conditions. (European Commission 2016c, 6-9.)

New measures will impact a sharing of information on cross-border VAT between the Member States. They will improve the exchange of information between tax authorities on fraudulent cross-border transactions to investigate fraudulent activities. Detecting transactions in real-time allows for the Member States to inspect and investigate cross-border immediately. In addition, the tax administrations of other EU Member States must warn of suspicious VAT losses. Once introduced, a mechanism will be set up to allow Member States to process and verify VAT fraud data. (European Commission 2017b, 14.)

2.4.1 Missing trader fraud

Missing trader fraud happens as foreign-based buyer firms do not pay tax on products, and later these companies vanish, disappear, or become inactive. Thus, VAT on the manufactured products is charged back to the seller. A fraud company's benefit is created because of tax evasion since it collects and retains a total amount of taxes (Sokanovic 2017, 160-161.)

2.4.2 Carousel fraud

The case of Carousel fraud is similar to the missing trader scheme but goes deeper. The main difference is that the goods or services sold are returned to the original seller and complete the cycle, which looks like a carousel (HMRC 2020). There is a solid conspiracy case between different firms to routinely buy a provided goods from the same wholesaler many times. When a company is engaged in a high number of sales, the volume of charged VAT rises. It presumes the firm liquidation before paying the entire sum of the charged VAT. It is a more complex type of theft, comparable to the case of missing trader scenarios. The amount of taxable VAT increases with each transaction, and eventually, the company disappears. Estimated losses in VAT income equal up to 60 billion euros. As mentioned in the ECA report 2015, carousel fraud is perpetrated only by 2% of criminal groups, which causes almost 80% of fraudulent actions. (ECA 2015, 60.)

Goods coming from outside the European Union pass through one and sometimes more Member States without paying taxes since VAT is only applicable to the Member State of destination. When it comes to importation tariffs, several mechanisms help to escape these taxes in the best way possible. (Schneider, Raczkowski & Mroz 2015, 35.) There is a lack of effective comparison of customs and tax data in many Member States as well as the lack of coordination between and within governmental, legal, and local authorities. (Coate & Fisher 2012, 33.)

2.4.3 VAT fraud in automobile market

Car trading is often suspect as a VAT fraud because vehicles are taxed differently than new and used cars. Newly registered cars can be sold as second-hand goods thus only the selling price is taxable. Vehicles that are sold without being taxed are then paid VAT in other member states. This kind of fraud has already been taking place for decades. (European Commission 2017b, 4.) This fraud scheme is often associated with B2C operations.

There are several ways to use this type of fraudulent activity. Fraudsters buy expensive cars abroad, then sell it in another Member State at a competitive price. The VAT administration receives false invoices to convince that VAT has been calculated. Fraudsters sell new cars that are taxed only as a used one. Expensive cars are sold to never existed people without paying VAT and are immediately transferred to the third parties. (Lamensch & Seci 2018, 26.)

Car registrations in Europe take place locally. Because of free movement of people and goods within the EU, registration steps can be performed separately. For example, when a vehicle is registered, the buyer must first find out if the vehicle is registered elsewhere and not stolen. Without this information, the national registration authority may accidentally register a stolen vehicle. The VAT Action plan presume that all tax authorities will an access to national car registers' information using EUCARIS, European Car and Driving License Information System. EUCARIS helps Member States to identify a fraud with used car as soon as possible. The review will increase the tax administration's ability to respond quickly to suspicious purchases of used cars. (European Commission 2017b, 4.)

2.5 VAT Action plan

To make the VAT collection process more transparent and easier to use the European Commission has developed a Commission Implementing Regulation 2020/194 (European Commission 2020a).

Straightforwardly, the VAT Action plan is described in the following figure.

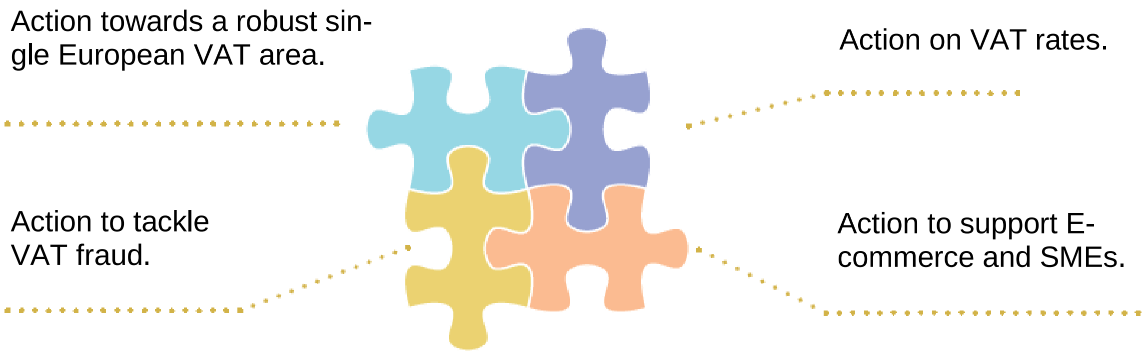

Figure 5. What is in the Action plan? VAT Factsheet (European Commission 2018, 1).

However, the VAT Action plan consists of 25 steps. The list of steps and timeline until the year 2023 is enclosed in Appendix 4. The cornerstone changes are releasing Import One-Stop-Shop, ending low-value import, and making marketplaces considered as supplier VAT. VAT Action plan will ensure and implement new details about the registration of VAT via Import One Stop Shop. It is the next step in developing a Digital Single Market strategy planned for the 2014-2019 developing plan (European Commission 2017b, 6). VAT Action Plan will have a significant impact on small and medium-sized enterprises (SME). SME companies will have the possibility to use the exemption in countries where they have no physical presence. Companies will have a single registration window in their home countries and take full advantage of the internal market. (European Commission 2020a, 2).

2.5.1 Definitive VAT Regime

As part of its VAT Action Plan, the European Commission published the Communication in October 2017. Along with a series of legislative proposals for a comprehensive reform of the EU VAT system main objectives about strengthening the EU VAT system against fraud and facilitating cross-border trade were discussed in this document. (European Commission 2017b, 9.)

The package of measures of the Definitive VAT Regime aims to replace a transitional mechanism introduced in 1993. The current dual system is so-called transitional. It divides one supply into two parts for VAT purposes - zero-rate of dispatch and taxation in Member State of destination. Goods within the EU for freight and tax obligations will be tax liable in the Member State where the dispatch ends. It ensures equal treatment in the domestic trade and within the EU. (Remeur 2019, 3.)

One of the proposals is to apply B2B companies in intra-community delivery of goods as one operation, eliminating shipments and purchases' current symmetry. These proposals also aim to extend the existing system of telecommunications, broadcasting, and electronic services (TBE) for B2C companies. This system contains specific mitigation and simplification measures on the way to the long-term goal of the subordination of all supplies to the final version of the Definitive VAT regime. (European Commission 2017b, 9.)

In the first step of the 2017 proposal, legal cornerstones, and foundations for developing the future VAT system were laid. The second step took place in 2018. European Commission published a detailed legislative proposal with amendments to the VAT Directive 2006/112, proposing several technical measures to implement the Definitive VAT regime. The introduction of legal cornerstones requires many legal changes in hundreds of articles. (European Commission 2017b, 11.)

Despite the European Commission's broad support to reform, simplify, and strengthen the EU VAT system, the Definitive VAT Regime proposals are essential for both governments and businesses. The Member States must believe in an untested approach that is different from the way taxes are managed. By following the Definitive VAT regime, VAT collection in Europe can reach around € 500 billion per year. (European Commission 2018, 1).

While the proposals address domestic fraud by lost traders, there is no guarantee that a Definitive VAT Regime will block new VAT fraud types. Businesses must understand and manage the proper VAT rates for the goods in all Member States. Although the supplier is in principle liable to VAT in the Member State, there is an exception. If the supplier is not in a tax situation and the customer is a certified taxable person. In that case, the customer must pay VAT in the Member State of arrival. (European Commission 2018).

2.5.2 One-Stop-Shop

The VAT Action plan's most important step was restarting and developing a program in 2015 as a Mini One Stop Shop (European Commission 2015, 11). It allows B2C sellers to deliver goods with no requirement to be registered in the foreign VAT system and skip various VAT reporting forms in destination countries. The following figure describes steps under Import One-Stop-Shop (OSS) simplified rules.

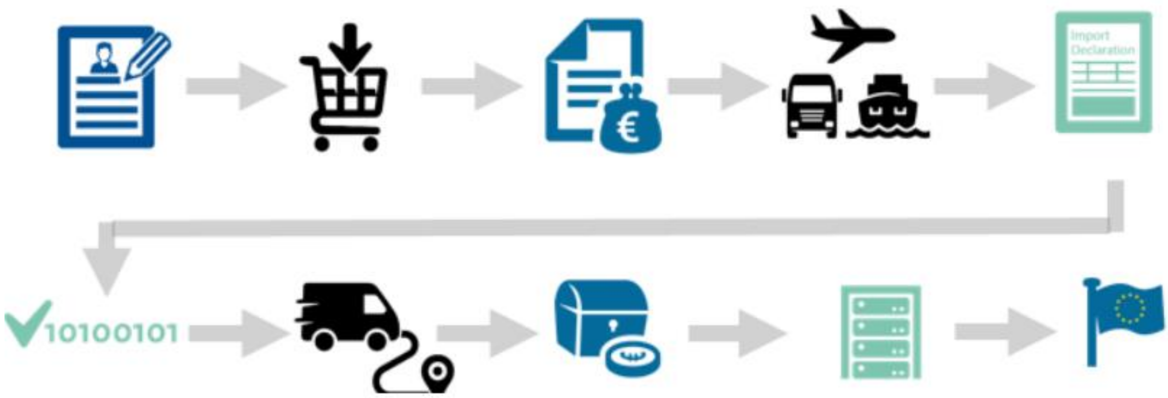

Figure 6. How does the import scheme work? (European Commission 2020c, 58). 1, registration in OSS; 2, Order Goods; 3, Acceptance of payment including VAT; 4, Shipment to EU; 5, Customs import declaration; 6, Customs check; 7, Delivery at destination; 8, Monthly OSS VAT return and payment to tax authorities; 9, Monthly listing of imports.

MOSS itself is not generally famous despite its valuable purpose, as its overly formal rules make it not as easy and risk-free to use as a company expects. However, since 2015 MOSS implementation is considered as a great success, especially in those member states that are now receiving new VAT revenues (European Commission 2020a, 10).

The 2019 Regulation includes various simplification measures. A threshold of € 10,000 was introduced for companies providing TBE services within the B2C. MOSS is available to companies outside the EU that provide TBE services from time to time. (European Commission 2020a, 6.) The € 10,000 threshold imposed by the 2019 simplification measures will be extended to cover intra-Community B2C supplies and TBE services. (European Commission 2020b, 1.)

Companies will be registered once in a standard system within the EU. Then they will report their operations only to the local Tax Authorities. The supplier will declare and pay VAT through simplified OSS registration, that covers B2C sales of goods and makes it possible to collect and pay VAT in the Member State where supplier-company is established, following the local rules of the Member State. The supplier's Member State distributes the income to the arrival countries, simplifying registration and compliance obligations. The OSS system is also available to non-EU members if they appoint an EU-created broker. (European Commission 2019, 4).

VAT deduction is allowed in some cases and connected with the VAT return. For traders with an annual turnover in the EU of more than 2.5 million euros, OSS requires a monthly VAT payment. OSS helps to control the payment and withholding of VAT. Invoice rules applied in the Member State in which the supplier is established or identified. Summary reports are not required for deliveries within the EU (European Commission 2019, 4).

2.5.3 E-commerce package

While the Definitive VAT system responds to the EU's problems in a single market, the e-commerce package aims to solve more general problems. An exponential development of cross-border trade, assisted by the Internet and technological innovations, has linked the world. In addition, the pace and scale of change have revealed apparent gaps in the VAT system, which governments have been desperately trying to close over the last twenty years. The intensity and degree of government reactions on this new economic environment have reached a problematic point even for the most solid companies. (European Commission 2020c, 6).

The electronically supplied services (ESS) and TBE rules are full of complexity. For example, there are difficulties in finding and changing customers' location and status and heavy registration, billing, and storage needs. (European Commission 2020c.)

Important to mention the cancellation of Low-Value consignment relief (LVCR) rules. For simplicity and cost recovery, the EU exempts from VAT importing goods with a total value of up to € 22. Implementation of mechanisms for collecting VAT on imports of low-value goods, including imports based on the OSS. The high-level agreement was based on making e-commerce websites responsible for the delivery of B2C goods. Which provide up to € 150 when imported from outside the EU and the delivery of B2C goods from other countries. (European Commission 2017a, 1.)

The E-commerce package is a significant achievement for the Commission. However, it worth to mention that the changes for 2021 have been agreed upon at a political level. It means more work is required to learn the details and apply the rules in practice. There are very few working examples or best practices in the world that provide valuable experience. Therefore, it is imperative that the Commission actively works with companies when working on modalities. Some of the measures were referred to the Council by member states without prior business consultation and an impact assessment. (European Commission 2020c, 35.)

The intention to significantly lower the current distance selling thresholds will likely increase its administrative burden. In the future, suppliers, willing to work not only on the domestic market, will have to understand how their products are taxed in other EU member states and at what VAT rate. The Commission's intention to give the Member States more flexibility in setting their interest rates, this could provide an even more complex picture to monitor (European Commission 2020c, 27).

3 Research Methods

This chapter describes the research approach, access to data, data collection methods, and the thesis's research design.

The thesis was following a quantitative and qualitative research approach. Qualitative research requires primary data collection, consisting of statistical reports, open databases, and books. However, to describe and open investigative questions (IQ), a focus was centered on qualitative research. It was the most suitable method to investigate data and theories to explain actions and decisions covered in the previous chapter. Qualitative research was defined by Denzin and Lincoln (2002, 3) as "*a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that make the world visible*". As stated by Creswell (2014, 86), "*a theory in quantitative research is an interrelated set of constructs (or variables) formed into propositions, or hypotheses, that specify the relationship among variables*."

The thesis examined the perspective of the VAT Action plan. Although, the VAT Action plan has a clear structure, milestones, and estimated results, it also has limitations due to its complexity that involves additional risks.

3.1 Research design

The research questions for the thesis relied on the theoretical framework and were designed around the theoretical framework.

Phases 1, 2, and 3 were based on the specific literature, open databases, and statistical reports. The purpose of Phase 1 was to gather essential and recent information about the current situation of the VAT collection process, existing problems, and upcoming reform. Phase 2 is concentrated on countries of research. It was essential to know the differences and similarities of those countries to cover each IQ. In the last Phase, 3 to the comparative analysis was added qualitative thematic analysis. The figure 7 represents the research design.

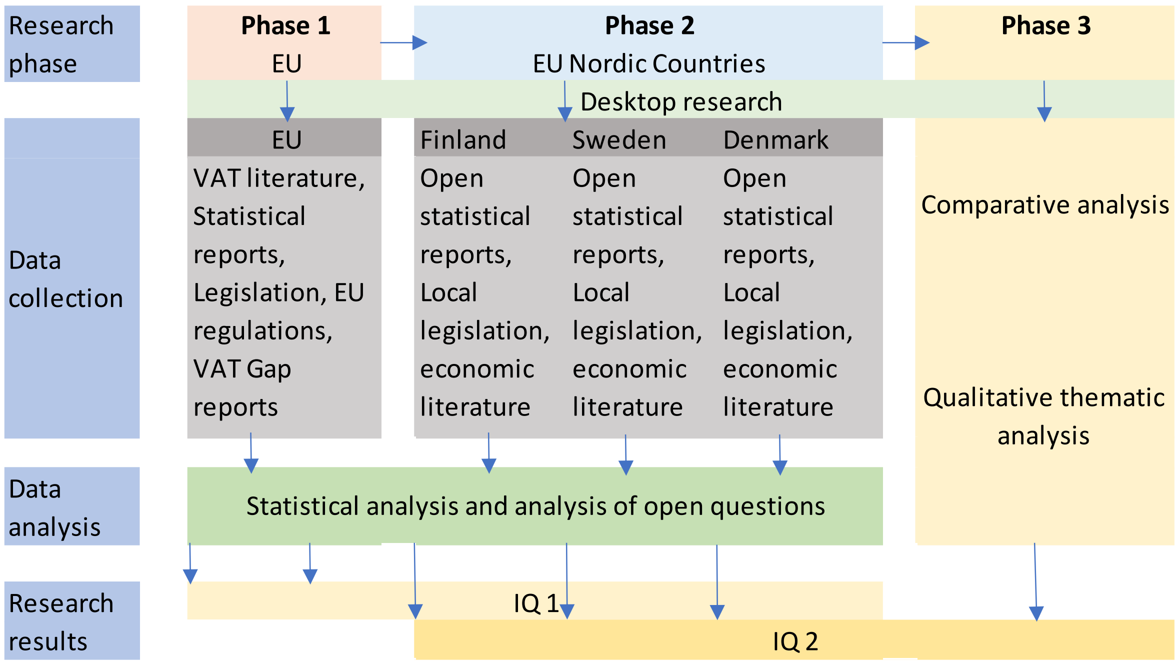

Figure 7. Research design

3.2 Data Collection and analysis

Data collection was done during June 2020 – December 2020 and data analysis was done during June 2020 – January 2021. Manual search and use of Iris.Ai were two main ways for data retrieval. The data analysis consisted of six stages:

- The data mining.
- The data qualification.
- Comparison of ratings in recent reports.
- Analysis of VAT collections.
- Analysis of VAT Gap reports.
- Analysis of VAT Action plan effects.

In Phase 1, data analysis started from the OECD report from 2014, Chapter 2 "Fundamental principles of taxation" and OECD report from 2019 Chapter 13, "E-commerce." These chapters helped to understand the context of the theory. Such materials helped to describe the existing concept of VAT, models, and design features. A big issue in checking materials brings an evolution of e-commerce and global trading. Simultaneously, free materials from OECD sources contain up to 2000 pages and available only in online versions, making nearly impossible functional searching by keywords.

Phase 2 primarily consisted of working with European Commission documents and reports and local legislation or research countries. The starting point is the Official Journal of the European Union and posted documents. As the authors' field of interest laid down in the European Commission VAT Action Plan, the most crucial document is Commission Implementing Regulation 2020/194 from 12 February 2020 (Official Journal of the European Union 2020, 1).

Before and during Phase 3 were collected a massive number of statistical materials. For instance, Study and Reports on the VAT Gap in the EU-28 Member States:2019 Final Report. This report explains the VAT Gap during the period from 2013-2017 and provides visual tables and graphs for research countries. Also, in Phase 2 and 3 crucial to mention the timeline of the process. For instance, in May, the European Commission has postponed the VAT action plan to July 2021 because of pandemic lockdown (European Commission 2020b).

4 Results

The Commission will take a few measures to reduce the barriers to cross-border VAT that the Member States may apply in January 2021. The Definitive VAT system will help businesses get all the benefits locally and compete internationally. The VAT Action plan sets out a roadmap for the creation of a common VAT area. In estimates, it should lead to a VAT gap decrease of around 80%. The Definitive VAT system's basic principle makes the supplier responsible for collecting and paying VAT in the EU Member State. While European Commission estimates to save for SME's 2,4 billion euros annually (European Commission 2020, 2), the KPMG estimates savings could be only 1 billion euros (Bopp, M., & Vincke, M. 2018, 3).

This chapter will represent the summary analysis of the main changes that will impact both businesses and EU Nordic Member States and VAT system and rates and prevent fraudulent actions.

4.1 Single EU VAT area

In chapter 2 was covered the current situation of VAT. After the future event of implementing the Single EU VAT area via VAT Action plan, every business who operates in other Member State will be sorting VAT in the personal account in the online portal. (European Commission 2020a.) Through the online portal, Member State authorities will collect VAT where the sale is made and transfer to the Member state where the products are consumed. However, the VAT will be collected in the country of destination. The following figure describes the Single EU VAT Area.

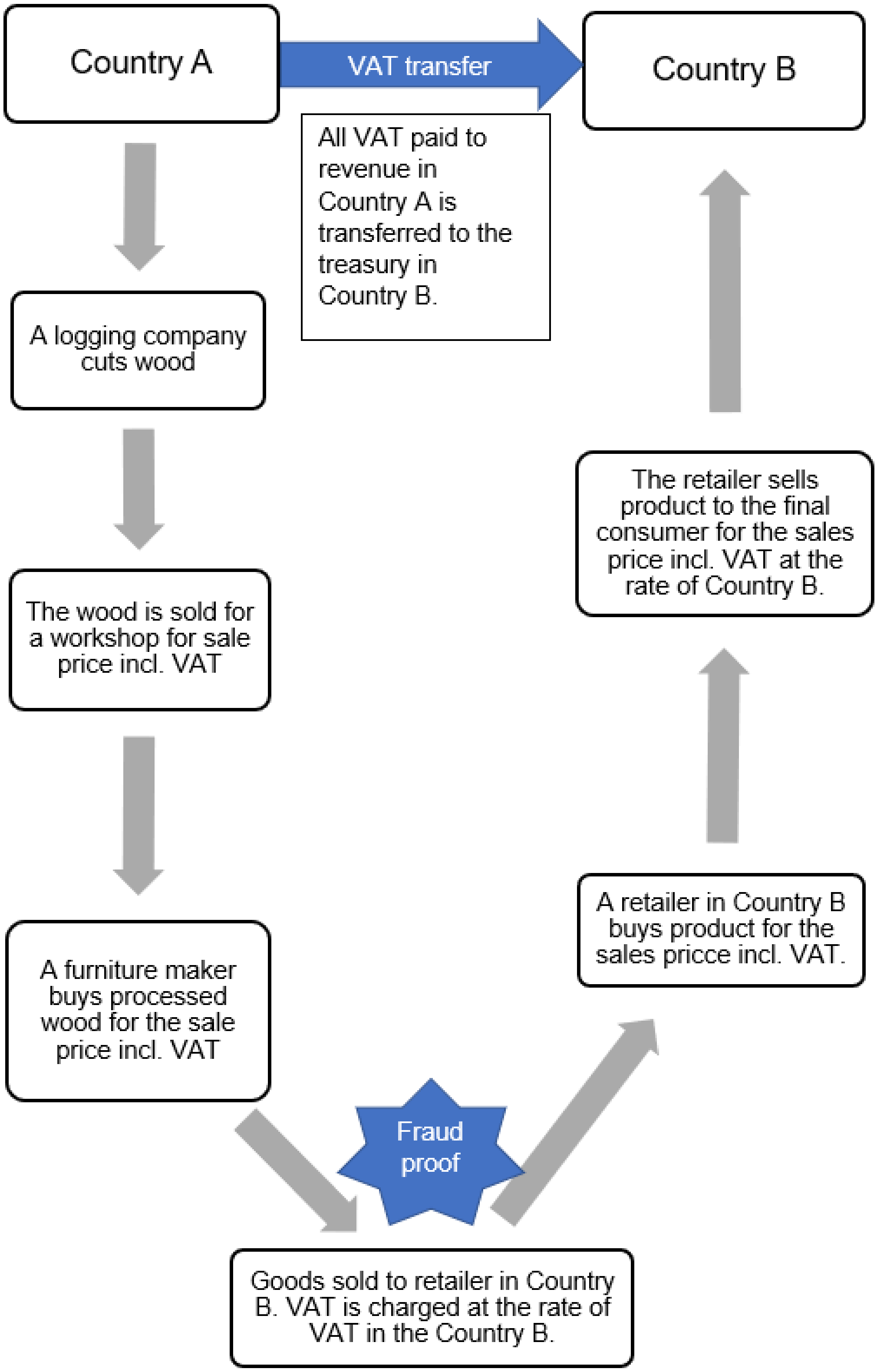

Figure 8. How would the proposed Single EU VAT area work? VAT Factsheet (European Commission 2018, 3).

Retailers from country B will buy products from a supplier and pay sales price including VAT. The VAT is collected by the treasury in Country A and transferring to Country B. In estimates, such a simple change can reduce fraudulent actions and collect extra 40 billion euros. Companies might apply VAT registration procedures only in the home country, saving approximately 1 billion Euro only for businesses. Also, companies with high trustworthiness will be allowed to continue buying products free of VAT from another Member State and pay VAT in their home country. (European Commission 2018, 3.)

4.2 VAT Gap reduction

The EU VAT Action Plan's impact on the Nordic Member States can be calculated by operating with actual numbers of VAT Gap among those countries and estimations of the European Commission after implementing the reform. This chapter aims to determine the VAT gap in the Nordic Member States countries using an analytical method to improve the accuracy of VAT gap estimates. Estimations of the European Commission of reducing VAT Gap are equal to 78% (European Commission 2020a, 82).

One of the methods to calculate the VAT Gap is the top-down approach. The top-down method measures the VAT gap by calculating the difference between the VAT collected and the VAT total tax liability (European Commission 2020a, 79). Meaning that data from national accounts will have descriptive information about the whole tax base and all other activities for calculation (European Commission 2020a, 80).

As was stated in the latest CASE report (2018), the VAT Gap in the Nordic Member States was:

- Sweden – 220 million euros.
- Finland – 1 347 million euros.
- Denmark – 2 011 million euros.

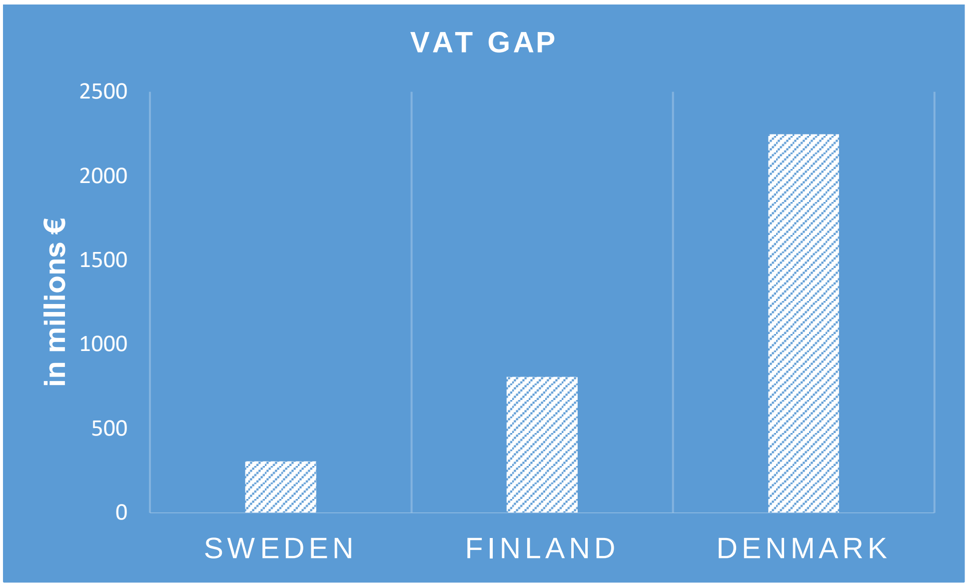

Figure 9. VAT Gap in the Nordic Member States (CASE 2018).

VAT Revenue, or VR, is the difference between VTTL and the VAT Gap (European Commission 2020a, 80).

$$VR = VTTL - VAT\ Gap$$

Where:

$$VTTL = effective\ rate * base$$

Thus, such expression can be written as:

$$VR = VTTL * VAT\ complience = effective\ rate * base * (1 - VAT\ Gap/VTTL)$$

To calculate the estimated result only for the year 2018 and to simplify calculation author suggests using the simple equation:

$$\big((x * 1.y) * z\big) - x$$

X is VAT Gap by country, Y growth in VAT collection by country and Z is estimated VAT Gap reduction. However, to find estimated results for the near future equation may be adjusted in such manner:

$$a * 1.b + (c * d) * E$$

A is VAT collected for a certain period in financial numbers. B is the average change compared to the previous period in percentage. C is VAT Gap in financial numbers. D changes in VAT gap in percentage. E has expected VAT Gap reduction estimations in percentage.

If the VAT Action plan would have been implemented in 2019, such calculations could predict possible estimated benefits for each country separately.

- Sweden – (44094 - 43 874) = 220 – (220*0.78) =-48.4 estimated VAT Gap million euros or decreasing on 82,6%, that number in the range of European Commission estimations.

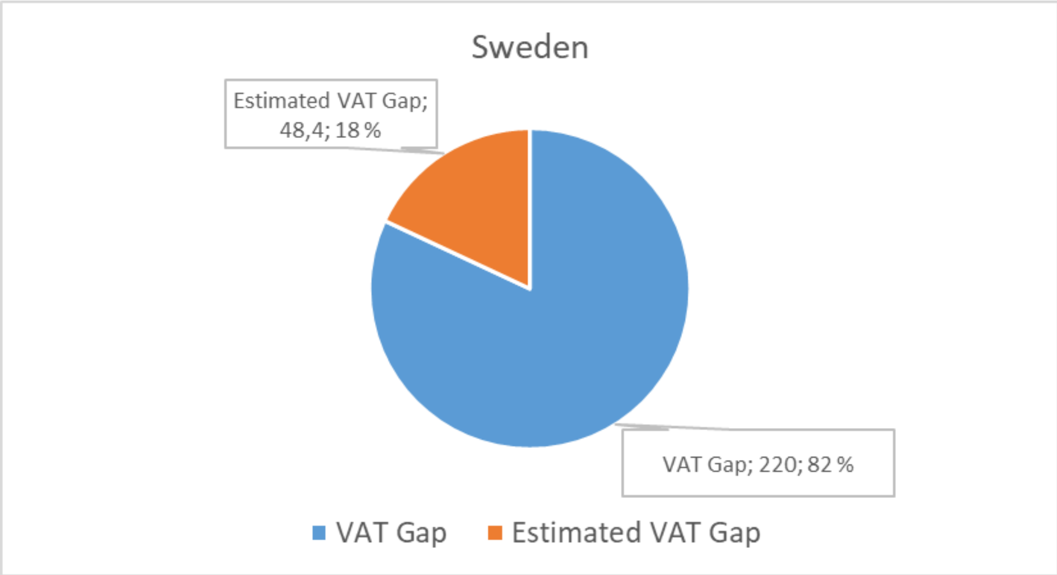

Figure 10. Sweden VAT Gap and estimated VAT Gap.

- Finland: (22 687 – 21 345) = 1 347-(1 347*0.78) =295,24 – estimated VAT Gap million euros, or decreasing on 82%, that number in the range of European Commission estimations.

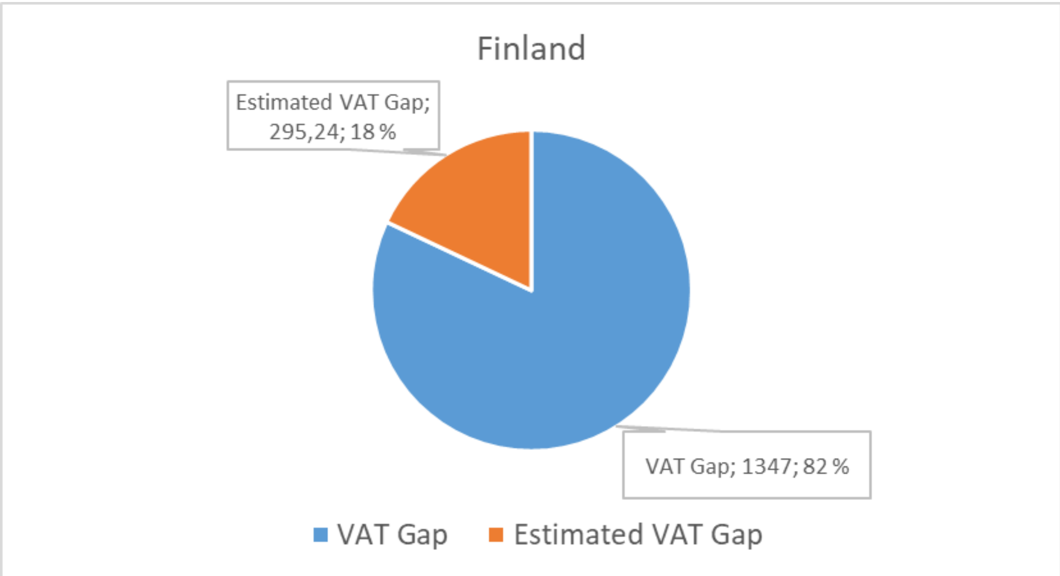

Figure 11. Finland VAT Gap and estimated VAT Gap.

- Denmark – (31036 – 29025) = 2011-(2011*0.78) =442.5 estimated VAT Gap million euros or decreasing on 82,6%, that number in the range of European Commission estimations.

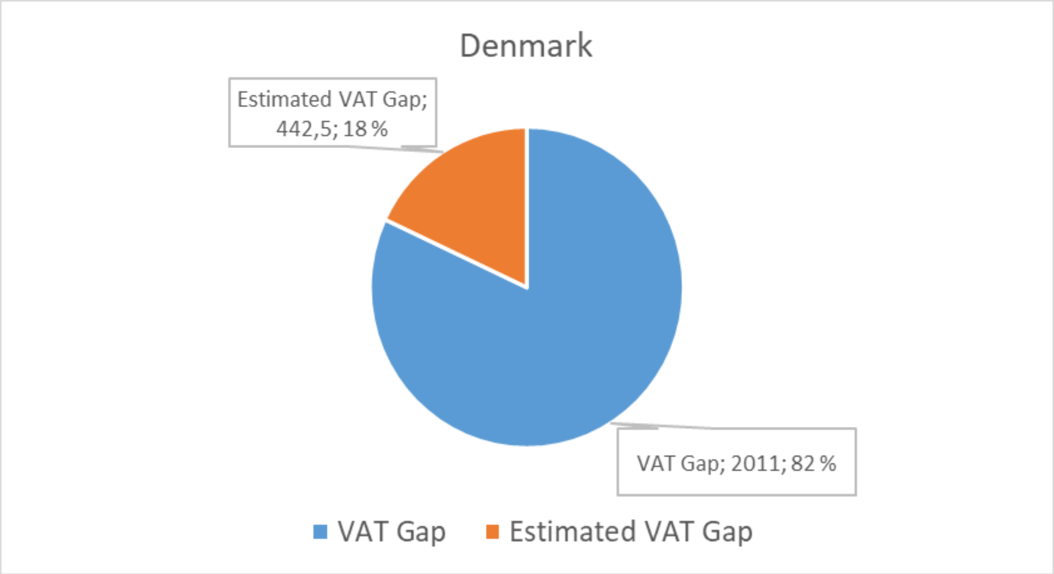

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Figure 12. Denmark VAT Gap and estimated VAT Gap.

Thus, the picture of VAT Gap estimations is shown in the figure below:

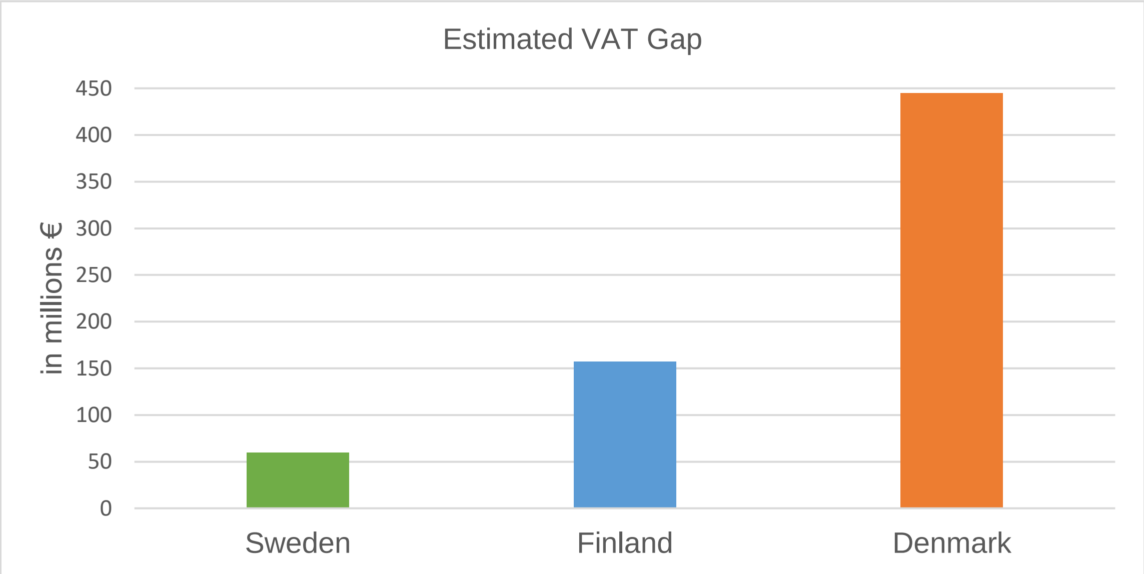

Figure 12. Estimated VAT Gap for the Nordic Member States.

Although the European commission estimations of the VAT Gap on average are a bit less, the achieved results for the Nordic Member States still lay in a range of European Commission estimations.

4.3 Impact on B2C

From 01 July 2021, MOSS's use will be extended to all services provided to B2C consumers and will no longer be limited to telecommunications, broadcasting, and electronic services. This change is reducing the administrative burden for many B2C service providers outside and inside the EU. The OSS also covers cross-border sales of goods to B2C consumers in the EU. (MOSS 2021.) These are usually e-commerce sales to clients in the other Member States.

From July 2021, the thresholds in the range of EUR 35,000 to EUR 100,000 will be removed, which is the basis of the current distance selling system. New pan-European threshold will be equal EUR 10,000. It includes all EU imports to B2C customers in each Member State except the supplier's country of residence. Companies exceeding this threshold are subject to VAT on the goods in the country of the consumer. Only companies in the EU with a turnover of less than EUR 10,000 can charge VAT based on their country of origin. This lowering of the threshold will undoubtedly significantly increase the number of companies that have to collect VAT outside their country of residence. To limit their administrative burden, these companies can declare VAT on long-distance sales in their Member State through OSS. Also, companies no longer must consider the local thresholds of each member state. As an added benefit, companies using these OSS are no longer required to charge an invoice for their sales. (MOSS 2021.)

For instance, any company established in one of the Nordic Member states sells goods from a warehouse to customers in European Union with the total value of cross-border sales less than EUR 10 000. In principle, nothing changes for this scenario. Since a company is established in one of the Member State, and the total value of goods sold to customers in the other EU Member States does not exceed EUR 10 000, they will have the same VAT treatment as in the country of registration. A company can choose to apply the standard rules and VAT tax in the Member State of the goods' destination. It happens through a simple online registration in the VAT One Stop Shop portal. After registration, a company will declare and pay the VAT via this One-Stop-Shop portal. If a company chooses not to register in the OSS portal, it can register for VAT in the destination Member State. However, a company may be established in one of the Nordic Member states and has a stock of goods in another Member State. (MOSS 2021.)

Another example, the company makes distance sales of goods both from own country and from the stock to customers splitting the total amount to EUR 4 000 to customers in one country and EUR 4 500 in another. In this scenario, the EUR 10 000 threshold does not apply because goods are dispatched from two Member States, resulting in distance sales from more than one Member State. For the threshold to be applicable, the supplier must be established in Member State A as well as goods must be sent from the same Member State A. If a company has a different establishment in another EU Member state and supplies goods and services, the EUR 10 000 threshold cannot be applied. (MOSS 2021.)

International organizations exempt from VAT for their acquisitions of goods and services are considered as "non-taxable person." Companies always have to keep clear evidence of distance sales carried out via electronic interfaces. If the distance sales threshold of EUR 10 000 is slightly exceeded, it needs to pay VAT to Member State where goods are dispatched or transported. (MOSS 2021.)

Distance selling of goods outside the EU with importing goods to the EU becomes VAT subject in the consumer's Member State. In order to avoid distortions of competition between suppliers within the EU and abroad, low-cost shipments will be duty-free. That means that imports of goods worth less than 22 euros will no longer be exempt from VAT. According to the European Commission, it can be the very first step in solving VAT loss. (MOSS 2021.)

Also, a customs declaration will be required only for an import of excisable goods or goods worth more than 150 euros. All other packages can be processed with OSS or customs import procedure which includes an expedited customs clearance. (European Commission 2020b.)

4.4 Impact on B2B

The new VAT system for cross-border B2B transactions is expected to be introduced on 01 July 2022. The current system, i.e. dividing cross-border supplies of goods within the EU into two separate tax transactions, will be replaced by a single supply system taxed in the Member State of destination. The supplier is usually responsible for calculating, collecting, and recording VAT in the Member State of destination. VAT can be declared and paid through the OSS system if the supplier is not registered in the Member State of destination, thus eliminating administrative burden. From 01 July 2022, the OSS will allow companies to deduct foreign input VAT from the output VAT. Then Member States decide their VAT balances directly with each other. (MOSS 2021.)

Goods and services will be taxed in the Member State of destination. Suppliers will not have benefits from settling in the Member States with lower VAT rates. Member States will have more flexibility in determining VAT rates and, under the Definitive VAT system, will be able to lower VAT rates up to 5%. (European Commission 2018.)

In addition, the current list of products and services, that can benefit from the reduction of the tax rate, will be changed. It will give Member States more flexibility in setting local VAT rates. (European Commission 2018.)

5 Discussion

The revision of the EU distance sales system in 2021 and the intra-EU sales system in 2022 will affect businesses and all Member States in the upcoming years.

Businesses usually underestimate the amount of time needed to implement new accounting or ERP systems. The new EU VAT system may require extensive organizational and technological adjustments. (European Commission 2020a.)

The EU authorities and the Nordic Member States should prepare for significant changes. One of the most critical tasks is to provide a database with the OSS identification numbers, and the EU VAT rates in real-time. Further guidance is needed so that Member States can fully and harmoniously implement these changes to their local VAT legislation and reduce the bureaucratic level for businesses. (European Commission 2018.)

Still, the European Commission estimations are very promising. It is estimated that VAT Gap will be diminished to 78% (European Commission 2020a, 82). Author's calculations in previous chapter represented about equal estimations for the Nordic Member States: Sweden – 83.6% (VAT Gap will be diminished from EUR 220 million to EUR 46 million); Finland – 82% (VAT Gap will be diminished from EUR 1 347 million to EUR 295 million); Denmark – 82.6% (VAT Gap will be diminished from EUR 2 011 million to EUR 443 million).

Simplification of various reporting processes for businesses will increase VAT revenue and help to increase the number of new businesses. Controlling goods flow and transactions flow via OSS will increase transparency among EU Member States, including Nordic Member States. E-commerce businesses may, if they will, reduce the number of VAT registrations by joining the OSS system. However, companies should start preparations for the systematic taxation of goods in the Member States, where their goods will be supplied to. (European Commission 2019.)

During the Thesis process, the VAT Action Plan implementation dates of different phases have been postponed twice. The updating of VAT rules was expected to be done by the end of July 2020. (European Commission 2020b.)

However, during the European Commission session on 15 July 2020, the implementation date was postponed to July 2021. The evaluation of the VAT scheme for B2B companies was postponed to the end of 2022. One of the reasons was COVID-19. The second was preparations and discussions about the Post-Brexit period in 2022/23. (European Commission 2020b.)

5.1 Reliability and validity

Theoretical evaluation provides an understanding of long-term changes in the VAT Collection process, rates, and relations of Member States between each other and the impact on business. European Commission reports and discussions have been used in this research to shred the light on the need of VAT system reformation. The VAT system and collecting process are changing at a slow pace, but the number of problems is growing. The author examined reports about VAT collection and VAT Gap in the Nordic Member States, trying to better understand the VAT Gap problem and proposed solutions himself and to present them to readers.

European Commission statistical reporting practices are signatured with a significant delay in providing open data. Thus, collecting real-time data is complicated, and analysis is based on the latest data from 2019.

5.2 Conclusion

In the VAT area, change has been a steady element during the past 20 years. VAT frameworks are constantly advancing to address globalization and digitalization's tenacious difficulties.

There has been common thought through the most sources - the VAT framework needs to be developed and restored, as well as it is highly important to make a modern Single VAT zone in the EU. The current European VAT framework is too complex since the Member States have various guidelines and VAT rates. It results in the fact that implementation of the VAT reform is challenged by variety of practices within European Union.

The thesis results estimate that implementing the VAT Action plan will lead to diminishing VAT Gap even in the Nordic Member States. In addition, the implementation of the Single VAT area will bring competitiveness to the business in countries with the highest VAT rates among other EU Member states. Similar results were shown in the modelling of VAT Gap estimations by the Revenue administration of the International monetary fund in 2017. Above mentioned document outlines the methodology and framework used in the International monetary fund to generate VAT gap forecasts, explaining why it is better than the traditional techniques and why that varies from the other ones (Hutton 2017, 27).

5.3 Self-reflection on learning

Courses, author had passed prior to thesis preparation, helped to build a strategy for gathering relevant materials and interpreting gathered data. Knowledge achieved during studies helped to improve author’s research and writing skills.

Iris.Ai was an important tool in finding materials for the thesis. An access to Iris.Ai was provided by Haaga-Helia AMK. With a help of Iris.Ai author studied a lot about previously unknown world of artificial intelligent tools, as well as had a unique experience of how to utilize AI in academic research.

Author studied how to implement qualitative and quantitative research methods and how to utilize them in academic work. To prepare the thesis author studied economic materials. Author's interest in the topic helped to sort out complex materials and data. Author studied complexity of VAT system from thesis results.

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Appendices

Appendix 1. VTTL and VAT Revenue of Finland (CASE 2019, 48).

	2013	2014	2015	2016	2017	2018*
VTTL	**20008**	**20125**	**20197**	**21293**	**22026**	**22687**
o/w liability on household final consumption	**11041**	**11074**	**11135**	**11450**	**11745**	
o/w liability on government and NPISH final consumption	**456**	**465**	**474**	**532**	**520**	
o/w liability on intermediate consumption	**4343**	**4485**	**4644**	**4877**	**5031**	
o/w liability on GFCF	**3622**	**3498**	**3316**	**3745**	**3969**	
o/w net adjustments	**545**	**602**	**628**	**690**	**762**	
VAT Revenue	**18888**	**18948**	**18974**	**19694**	**20404**	**21345**
VAT GAP	**1120**	**1177**	**1223**	**1599**	**1622**	
VAT GAP as a percent of VTTL	**6%**	**6%**	**6%**	**8%**	**7%**	**6%**
VAT GAP change since 2013					**+2 pp**	

Appendix 2. VTTL and VAT Revenue of Sweden (CASE 2019, 48).

	2013	2014	2015	2016	2017	2018*
VTTL	**349797**	**365187**	**389952**	**411748**	**431357**	**443351**
o/w liability on household final consumption	**182545**	**188056**	**197358**	**205017**	**213676**	
o/w liability on government and NPISH final consumption	**19231**	**19869**	**20549**	**22024**	**22730**	
o/w liability on intermediate consumption	**86002**	**89068**	**95339**	**98606**	**101475**	
o/w liability on GFCF	**56775**	**62428**	**70346**	**79592**	**86733**	
o/w net adjustments	**5244**	**5766**	**6360**	**6509**	**6743**	
VAT Revenue	**337823**	**353439**	**378830**	**404987**	**425053**	**445571**
VAT GAP	**11974**	**11748**	**11122**	**6761**	**6304**	
VAT GAP as a percent of VTTL	**3%**	**3%**	**3%**	**2%**	**1%**	**-1%**
VAT GAP change since 2013					**-2 pp**	

Appendix 3. VTTL and VAT Revenue of Denmark (CASE 2019, 48).

	2013	2014	2015	2016	2017	2018*
VTTL	**206490**	**208401**	**213396**	**216753**	**224395**	**230778**
o/w liability on household final consumption	**119265**	**120503**	**123843**	**127509**	**131791**	
o/w liability on government and NPISH final consumption	**5222**	**5283**	**5395**	**5473**	**5564**	
o/w liability on intermediate consumption	**52897**	**52826**	**53321**	**51209**	**52878**	
o/w liability on GFCF	**23709**	**24421**	**25372**	**27095**	**28457**	
o/w net adjustments	**5397**	**5368**	**5465**	**5467**	**5705**	
VAT Revenue	**181378**	**185994**	**191479**	**199046**	**207768**	**215821**
VAT GAP	**25112**	**22407**	**21917**	**17707**	**16627**	
VAT GAP as a percent of VTTL	**12%**	**11%**	**10%**	**8%**	**7%**	**6%**
VAT GAP change since 2013					**-5 pp**	

Appendix 4. Overview of tax initiatives that are part of the action plan for fair and simple taxation supporting the recovery envisaged for 2020-2023.

#	Action	Means	Timing
Actions to be delivered in 2020-2021			
A6	Good practice recommendations for improving tax recovery in the EU	Report from the European Commission to the Parliament and the Council.	2020, Q4
A19	Transforming the VAT Committee into a comitology committee	Legislative initiative to amend the VAT Directive.	2020, Q4
A22a	Evaluation of the VAT special scheme for travel agents	Non-legislative initiative: Commission staff working document – evaluation	2020, Q4
A11	Launch of Tax observatory	Non-legislative initiative, implementation of a European Parliament preparatory action.	2020, Q4
A3	Cooperative Compliance framework for a preventive dialogue between tax administrations and businesses for the common resolution of cross-border tax issues	Non-legislative initiative: pilot project.	2021, Q1 – Q2
A21	Establishment of expert group on transfer pricing	Expert group to elaborate pragmatic, non-legislative solutions to practical problems posed by transfer pricing practices in the EU.	2021, Q1

#	Action	Means	Timing
A20	Conference on data analytics and digital solutions	Non-legislative initiative: communication event.	2021, Q2
A17	Charter on taxpayer's rights – Communication taking stock of taxpayers' existing rights under EU law together with a Recommendation to Member States to facilitate the implementation of taxpayers' rights and to simplify tax obligations.	Communication from the European Commission to the Parliament and the Council. & Commission recommendation addressed to the Member States.	2021, Q3
A10	Extension of automatic exchange of information to crypto-assets / e-money	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive amending the Council Directive on administrative cooperation in the field of direct taxation.	2021, Q3
A18	Update and simplify VAT rules for financial services, to ensure a level playing field within the Union and the international competitiveness of EU companies	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive amending the Council VAT Directive.	2021, Q4
A15	Implementation of Standing Committee for dispute resolution.	Implementation of a permanent body for dispute resolution, a so-called Standing Committee, for which the legal basis is already provided for in the Directive 2017/1852.	2021, Q3

#	Action	Means	Timing
Actions to be delivered in 2022-2023			
A8	Digital solutions to levy taxes at source to facilitate tax payment / collection	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive introducing a system of withholding tax relief at source.	2022
A7	Consistency of tax residence rules for individuals to avoid double (non)-taxation	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive to harmonise tax residence criteria.	2022
A2	Better quality and use of tax data	Non-legislative initiative: pilot project to be followed by a Commission staff working document presenting the key findings and recommendations.	2022
A22b	Update VAT special scheme for travel agents to ensure the international competitiveness of EU travel industry.	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive amending the VAT Directive.	2022
A24	Review VAT rules on passenger transport to ensure their coherence with the taxation policy developed under the Green Deal	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive amending the VAT Directive.	2022

#	**Action**	**Means**	**Timing**
A16	VAT dispute prevention and resolution to provide mechanisms to prevent/solve disputes concerning the implementation of the VAT directive	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive introducing a dispute resolution mechanism in the field of VAT.	2022
A1 A4 A5 A23	Package VAT in the digital age: update VAT rules for the sharing economy, move to a single EU VAT registration, modernise VAT reporting obligations and facilitate e-invoicing.	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal for a Council directive amending the VAT Directive and/or a Council directive amending the Council Regulation on VAT administrative cooperation.	2022
A25	E-Commerce package for excise goods: facilitating distance selling of excise goods while minimising fraud and distortions of competition	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal amending the Council Directive on General Arrangement for Excise Duty.	2022
A9	Eurofisc 2.0	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal amending Council Regulation (EU) No 904/2010	2023
A12 A13	Reinforcement of verifications of cross-border transactions by switching from exchanging to sharing of tax-related data. Making the verification process of cross-border transactions faster and more effective by leveraging new technological tools, advanced analytics and flexible data sharing at EU	Impact assessment possibly leading to a legislative initiative in the form of a Commission proposal amending Council Regulation (EU) No 904/2010	2023