



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 23.04.1997
COM(97) 175 final

97/0128 (COD)

**Proposal for a
EUROPEAN PARLIAMENT AND COUNCIL DECISION**

**establishing a programme of Community action to reinforce the functioning
of the indirect taxation systems of the internal market
(FISCALIS programme)**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. SUMMARY

The FISCALIS programme has as its aim the reinforcement of the functioning of the indirect taxation systems of the internal market. The programme is the first step in the establishment of the new common system of VAT, part of Phase One of the Commission's work programme¹ published in 1996. Further proposals to establish the new system will appear in due course, according to the rhythm of the Commission's work programme.

The FISCALIS programme will provide both the Community infrastructure and the stimulus without which the Member States acting alone will not be able to assure the smooth functioning of the new VAT system. This infrastructure and stimulus will bring about important improvements to the functioning of the indirect taxation systems (the efficacy with which Member States cooperate, for example). They will be indispensable for the smooth functioning of the new VAT system.

The programme is being proposed now, at the beginning of the road to the new system, because it will require some years of implementation before it has brought about the improvements necessary to enable that new system to function smoothly when it enters into force. The programme is therefore scheduled to begin four years before the earliest possible entry into force of the new VAT system.

The improvements that the programme will bring about will also benefit the functioning of the present VAT system and the Excise system. The benefits to the current VAT system, will not however remedy its inherent weaknesses. These can only be tackled through thorough reform of the system as set out in the Commission's work programme.

2. INTRODUCTION

The establishment on 1 January 1993 of the current VAT and Excise systems was accompanied by efforts to reinforce their functioning. New Community legislation² reinforced the existing legal framework³ and, in particular, administrative cooperation among the Member States and between them and the Commission.

¹ COM(96) 328 final.

² Council Regulation (EEC) No 218/92 of 27 January 1992 on administrative cooperation in the field of indirect taxation (VAT). OJ No L 24, 1.2.1992, p. 1.
Council Directive 92/12/EEC of 25 February 1992 on general arrangements for products subject to excise duty. OJ No L 76, 23.3.1992, p. 1.

³ Council Directive 79/1070/EEC of 6 December 1979 amending Directive 77/799/EEC concerning mutual assistance. OJ No L 331, 27.12.1979, p. 8.
Council Directive 79/1071/EEC amending Directive 76/308/EEC on mutual assistance for the recovery of claims. OJ No L 331, 27.12.1979, p. 10.

In addition, the Matthaues-Tax programme⁴ was adopted to reinforce the functioning of the VAT and Excise systems through vocational training for indirect tax officials. A number of other initiatives have also been taken under the existing legal framework to improve administrative cooperation and mutual assistance, notably the establishment of the VAT Information Exchange System (VIES), Fiscal SCENT⁵, the System for the Exchange of Excise Data (SEED), the Excise Movements Verification system (EMVS) and several pilot multilateral control exercises, carried out jointly by the Member States. This combination of legislation and initiatives has proved its usefulness in meeting the challenges of the abolition of frontier controls.

In parallel, the Commission has in the last three years examined in a general context the requirements and means for the better functioning of the internal market which flow from the Treaty. This examination⁶ demonstrated the need for stronger administrative cooperation, the development of administration to take account of new circumstances and the coherent and consistent application of Community law. The Council agreed⁷ on the need for continuing effort to reinforce cooperation to these ends and undertook to consider Commission proposals to that effect. The present proposal should be considered within this framework.

Notwithstanding the efforts undertaken already, there is now a need for fresh Community action. The catalyst for this Community action is the establishment of a new common system of VAT. As outlined by the Commission's work programme, the new system will entail fundamental change in the functioning of the VAT system. In particular, the change to a single place of VAT registration will require a level of administrative cooperation among administrations, at least equivalent to that currently achieved within each Member State. The greater relative body of Community law and the increasing interdependence of administrations will also require a greater uniformity of application of Community law.

Meeting these challenges requires a range of action by the Community, as set out in the Commission's work programme. The immediate priority is however to put in place the Community infrastructure and stimulus needed to prepare the ground for the new system. This is because the programme will require time for its implementation to bring about the general improvements necessary to enable the new system to function smoothly upon entry into force. For example, improvements to linguistic skills, the development of the necessary technology and the cultivation of a habit of cooperation do not occur overnight. Because of their general nature, these improvements, while being essential preparation for the new VAT system, will at the same time bring benefits to the existing VAT system. The necessity of bringing about these improvements was underlined in the Commission's report

⁴ Council Decision of 29 October 1993 on the adoption of a programme of Community action on the subject of the vocational training of indirect taxation officials (Matthaues-Tax). OJ No L 280, 13.11.1993, p. 27.

⁵ System for a Customs Enforcement Network

⁶ Communication from the Commission to the Council "Making the most of the internal market: strategic programme", 22 December 1993, COM(93) 632 final.

Communication from the Commission to the European Parliament and Council on the development of administrative cooperation in the implementation and enforcement of Community legislation in the internal market", 16 February 1994, COM(94) 29 final.

⁷ Council Resolution No 94/C 179/01, OJ No C 179, 1.7.1994, p. 1. Council Resolution No 96/C 224/02, OJ No C 224, 1.8.1996, p. 3.

on the operation of administrative cooperation in 1994-95⁸. Also, because of their general nature, it is right that the Excise system, which poses a similar set of challenges to the Community, benefit from equivalent Community action.

A further catalyst for fresh Community action is the eventual accession to the Community of the associated countries of Central and Eastern Europe and Cyprus. The Commission's White Paper on the preparation of the associated countries for integration into the internal market⁹ (endorsed by the European Council¹⁰) commits the Community to opening existing indirect tax programmes for the internal market to the associated countries.

Finally the present proposal responds to the call by the President of the European Parliament¹¹ for a "broad-based joint training and exchange programme" for tax officials "with a view to bringing about lasting improvements in cooperation at all levels".

3. OBJECTIVES

Responsibility for the functioning of the internal market, and the VAT and Excise systems in particular, falls to the Community, in partnership with the Member States. Whilst the Member States play the major part, at least in terms of resources, a significant role also exists for the Community in ensuring that the VAT and Excise systems function effectively, uniformly and efficiently. There are three main elements to this functioning:

- the protection of national and Community financial interests through the combating of tax avoidance and evasion;
- the avoidance of distortions of competition in the effectiveness of the application of Community law; and
- the continuing reduction of compliance burdens on administrations and taxpayers alike.

For each of these elements, Member States and the Community have a role to play. To fulfil this role, three Community objectives can be identified:

- (1) the achievement of a high common standard of understanding of Community law (and of its implementation by the Member States) among indirect taxation officials;
- (2) the securing of efficient, effective and extensive cooperation among the Member States and between them and the Commission; and
- (3) the assurance of the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers alike.

⁸ COM(96) 681 final.

⁹ The White Paper on the preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union, COM(95) 163 final.

¹⁰ Cannes European Council, 27-28 June 1995.

¹¹ "Ten practical proposals to improve the fight against fraud" - speech to the Inter-parliamentary Conference, Brussels, 23-24 April 1996.

Whilst these are Community objectives, their achievement rests largely in the hands of the Member States. Community action to achieve these objectives will therefore be to reinforce the efforts of the Member States, through providing an infrastructure and the necessary stimulus.

3.1 Objective 1 (Article 3a)

In achieving this objective, the efforts of the Member States to train their officials are clearly vital. However a Community training initiative is needed to coordinate these efforts to ensure that they lead to Community law being applied with uniform effectiveness and efficiency.

3.2 Objective 2 (Article 3b)

Effective cooperation requires a Community legal framework to set out the rules of cooperation. The Commission will propose changes to the existing framework to meet the demands of the new common system of VAT. In addition this programme fulfils the need for two further actions:

- An infrastructure to enable Member States to communicate and exchange information. The better the infrastructure, the better the quality of cooperation and the more opportunity costs of cooperation are reduced. The establishment of and assuring the ability to function of this infrastructure is largely a task for the Community, because of the coordination involved.
- The development of a habit of cooperation between the officials involved. This habit can only be based on a profound mutual understanding and confidence. This in turn requires overcoming linguistic and practical obstacles to cooperation. Whilst the efforts of Member States in recruiting, training and managing their officials are clearly crucial to achieving this, supplementary Community action to stimulate this development, through bringing officials from different national administrations together in work activities, is appropriate.

3.3 Objective 3 (Article 3c)

Ensuring the continuing improvement of administrative procedures to meet changing circumstances (and the needs of administrations and taxpayers) is clearly one of the most important tasks for the Member States' management of their administrations. However there is a Community role in the development and dissemination of best administrative practice throughout the Community. Member States face common problems in administering the VAT and Excise systems and there is a coordination role for the Community in maximizing the return from the efforts of Member States.

4. THE ACTIVITIES OF THE PROGRAMME

The areas of action to meet these objectives draw heavily on the experience to date in reinforcing the functioning of the VAT and Excise systems.

4.1 Communication and information exchange systems, manuals and guides (Article 4)

4.1.1 Communication and information exchange systems

Communication and information exchange infrastructure has a vital part to play in reinforcing the VAT and Excise systems, and in particular guaranteeing the effectiveness and efficiency of its administration. The most significant evidence of this is the confirmed success of the VIES.

The VIES is a system for telematic exchange of data between administrations via a Community network. As well as proving to be a critical tool in the control of intra-Community transactions, not least through its deterrent effect, the VIES has permitted enormous efficiency gains in the practice of administrative cooperation. This has in turn lowered the opportunity cost of cooperation and has stimulated a level and diversity of cooperation between the Member States hitherto unknown. The VIES represents a significant breakthrough in demonstrating that information technology can bridge the gap between the desire for revenue security and a reduction in costly physical controls.

The fiscal SCENT is a communication system for the exchange of information on suspected cases of tax evasion in relation to VAT and Excise duties. To date its use has been limited. The Commission and the Member States are currently discussing ways to maximize its use.

The SEED system provides for the exchange of registration data between Excise administrations to enable administrations and traders to check the status of the recipients of intra-Community movements of excisable goods. The EMVS is a recent fax-based system which is becoming increasingly useful for the verification of intra-Community movements of excisable goods.

The proposal provides a new legal and budgetary basis for the VIES, SEED and EMVS. Until now, they have been part of the Interchange of Data between Administrations (IDA) programme. From 1998, the operational costs of these systems will be funded solely by FISCALIS, although they will continue to benefit from generic services developed under IDA. The services of the Commission responsible for IDA and FISCALIS will continue to coordinate closely to ensure the technical inter-operability of the Community telematic systems and to maximize economies in their development. Also, any future Community decision of general application to trans-European telematic networks for administrations will apply to the communication and information exchange systems of the FISCALIS programme.

In addition to information exchange systems, communication systems are a vital part of the infrastructure of successful cooperation. Electronic communication has significant advantages over letter or fax communication: it is more secure, quick and reliable and also offers the possibility of translation. By providing a range of pre-translated standard messages to suit all possible needs, an effective communication and translation system can be created. This will both make providing assistance easier and overcome reluctance to ask for cooperation. A generic communication system for all indirect tax purposes with different applications depending on the type of communication (whether an enquiry on a suspected tax evasion or a request for mutual assistance on recovery, for example) is

envisaged. In the meantime, the proposal provides a new legal and budgetary base for fiscal SCENT.

Development of these information exchange and communication systems will enormously improve the effectiveness, efficiency and extent of cooperation and communication between Member States. Their development will also need to take into account new challenges and, in particular, the needs of the new VAT system.

4.1.2 Manuals and guides

Under the existing indirect taxation systems, the Commission has produced manuals for the benefit of business and administrations. Experience of the operation of the arrangements for administrative cooperation have shown a need for manuals for administrations, particularly in areas where national differences affect cooperation, for example the use of mutual assistance on recovery.

4.2 Exchanges, Seminars and multilateral control exercises (Article 5)

The experience of the Matthaeus-Tax programme¹² has shown that one of the most effective ways of pursuing the FISCALIS objectives has been through structured contacts, bringing officials from different national administrations together in work activities.

4.2.1 Exchanges (Article 5(1))

The most successful exchanges have proved to be those which enable the exchange official to carry out practical tasks on behalf of the administration visited. Exchanges have also been effective in the dissemination of best administrative practice, particularly in the use of targeted exchanges to study particular administrative practices.

4.2.2 Seminars (Article 5(2))

The use of seminars in the Matthaeus-Tax programme has proved to be effective in pursuing all of the objectives of the programme. They provide a forum for the experts in a particular field of administration to meet each other and discuss common problems. This is useful for developing and disseminating best administrative practice but also for stimulating and developing cooperation or simply as pedagogical tools. Representatives of business and taxpayers have been invited to attend in the past. This will be continued where appropriate.

4.2.3 Multilateral control exercises (Article 5(3))

The most effective structured contact has proved, naturally, to be based on real working together on control projects. Pilot multilateral control exercises have been conducted for VAT and have been successful both in achieving real (financial) results, fostering cooperation between the administrations involved and in identifying the obstacles (practical and legislative) to successful cooperation.

¹² Commission annual reports on the programme: COM(95) 663 and COM(96) 543.

4.3 Common training initiative (Article 6)

Until now, although Community action on training has been part of the Matthaues-Tax programme, this element of the Community's role has been under-developed. There is a need to give a fresh impetus to this role through a greater coordination and deepening of the extensive efforts of the Member States to train their officials in the same Community law and its implementation throughout the Community.

To provide this fresh impetus, the common training initiative is drawn up to bring together all aspects of training: professional and language programmes and training and linguistic tools. This will permit their better coordination and development. Also to give a fresh impetus, the Commission will involve training experts from the Member States to a far greater degree than in the past in implementing the initiative. A significantly greater proportion of the management resources of the programme will also be devoted to the training initiative.

In time, the Commission believes that responsibility for managing the training initiative could be devolved to a new Community body, devoted to tax training. The timing of this would depend on the Community having demonstrated that it has the necessary experience and capacity. Such a body would also only be justified by the greater importance of Community legislation entailed by the new VAT system.

4.3.1 Common training programmes (Article 6(1))

In the context of the Matthaues-Tax programme, a common training programme for indirect taxation officials¹³ has already been adopted. The programme sets out a list of subjects to be taught in national training schools, as part of the initial and continual training of all indirect taxation officials. The FISCALIS programme provides for this and further programmes to be developed, in particular for associated countries.

4.3.2 Language training (Article 6(2))

Lacking a sufficient standard of linguistic competence has consistently proved to be the greatest barrier to cooperation. It inhibits requests for cooperation and reduces the chances of successful cooperation. It is also increasingly necessary for the completion of administrative tasks, especially as European companies may work in several languages. Recognizing this, all the Member States provide language training to those of their officials who they consider need it.

A further impetus to language training at Community level, both to take account of the efforts already being made and to meet the challenges of the future is needed. The intensity of cooperation required under the new common system of VAT will entail a real ability to communicate between a much broader range of officials than at present. In principle, all indirect taxation officials will need to have the linguistic skills to cooperate.

The Commission therefore proposes that the Member States formalize their existing commitment to language training by agreeing to provide the necessary training to their

¹³ Commission Decision of 12 July 1995. OJ No L 172 ,22.7.1995, p. 24.

officials to ensure that they attain a sufficient standard of linguistic competence. What constitutes a sufficient standard will be defined on a multi-annual basis, to take account of existing competences in the Community and needs. A long term plan, setting out appropriate targets for administrations, should be drawn up and adopted by the Commission and the Member States to fulfil this commitment. The achievement of these targets should be reviewed regularly. Entering into a similar commitment will be requested of the associated countries.

4.3.3 Community tools for indirect taxation training and linguistic training (Article 6(3))

The Matthaeus-Tax programme has demonstrated that there is a need for Community tools for indirect taxation training to supplement the efforts of the Member States. The most pressing need is for flexible linguistic tax terminology tools.

5. FINANCING AND MANAGEMENT OF THE PROGRAMME

One of the prime aims of this proposal is to provide a single, comprehensive framework for all Community action and expenditure on the VAT and Excise systems, where previously it has been dispersed. This should greatly contribute to the transparency and coherence of the Community's efforts. This will in turn permit a more rigorous and thorough evaluation of the Community's efforts, against verifiable objective indicators, than has been possible until now. This greater transparency and renewed emphasis on evaluation will be essential in maximizing value for money for the Community.

Achievement of the objectives of the programme will bring about long term benefits to the Community as a whole and to the participants. It is therefore desirable that the costs of the programme should be shared. It is desirable that the division of this financial responsibility should be along similar lines to the existing activities and reflect the principle of subsidiarity. The division of costs between the Community and the associated countries shall be determined according to the Additional Protocols of the relevant agreements concerning their participation in Community programmes.

There is also a strong case for rationalising the management of the Community action to ensure its coherence with the development of Community policy. Rather than creating a new advisory committee, the Commission therefore proposes mandating the Standing Committee on Administrative Cooperation (SCAC), in an advisory capacity, to assist the Commission in executing the programme.

The SCAC is currently competent to deal with administrative cooperation for both VAT and Excise, although the Committee on Excise duties has taken the lead in the Excise area until now. To ensure a coherent approach, both in the management of the programme and between the programme and wider Community policy on VAT and excise duties, it is intended that the SCAC will in future take greater responsibility for administrative cooperation in the Excise area. This will entail considerable change in the current working of the SCAC. Currently it meets in only one manifestation, to discuss VAT questions. In the future, the chairmanship and membership of the Committee will vary to reflect whether VAT questions, Excise questions or matters of joint interest under the FISCALIS programme are under discussion. This will have two benefits: as well as integrating the management of the programme effectively with the wider objectives for

Community VAT and Excise policy, it will also provide for a transparent and coherent management and will maximize the synergies between the VAT and Excise activities of the programme.

**Proposal for a
EUROPEAN PARLIAMENT AND COUNCIL DECISION**

**establishing a programme of Community action to reinforce the functioning
of the indirect taxation systems of the internal market
(FISCALIS programme)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty instituting the European Community, and in particular Article 100a thereof,

Having regard to the proposal from the Commission¹⁴,

Having regard to the opinion of the Economic and Social Committee¹⁵,

Acting in accordance with the procedure laid down in Article 189b of the Treaty¹⁶,

1. Whereas in an internal market, the effective, uniform and efficient application of Community law is essential for the functioning of the indirect taxation systems, in particular for the protection of national and Community financial interests through the combating of tax avoidance and tax evasion, the avoidance of distortion of competition and the continuing reduction of compliance burdens on administrations and taxpayers;
2. Whereas achieving this effective, uniform and efficient application is the responsibility of the Community in partnership with the Member States; whereas, although the Member States carry the greater responsibility in terms of resources, there is a significant role for the Community to provide an infrastructure and the necessary stimulus;
3. Whereas a high common standard of understanding of Community law (and its implementation in the Member States) by indirect taxation officials is essential to its uniform application; whereas this can only be achieved through effective initial and continuous training by the Member States; whereas supplementary Community action is needed to coordinate and stimulate this training;
4. Whereas efficient, effective and extensive cooperation among the Member States and between them and the Commission is essential to the functioning of the indirect taxation systems of the internal market; whereas a Community infrastructure for communication and information exchange is indispensable to

¹⁴ OJ No C

¹⁵ OJ No C

¹⁶ OJ No C

achieve this; whereas without a Community stimulus, sufficient cooperation would not be achieved;

5. Whereas the continuing improvement of administrative procedures is essential to the functioning of the indirect taxation systems of the internal market; whereas, although the primary responsibility for achieving this rests with the Member States, supplementary Community action is needed to coordinate and stimulate this continuing improvement;
6. Whereas, therefore, in accordance with the principles of subsidiarity and of proportionality set out in Article 3b of the Treaty, the objectives of the measures laid down in this Decision cannot be adequately achieved by the Member States and can therefore be better achieved by the Community; whereas this Decision confines itself to the minimum required and does not go beyond what is necessary for this purpose;
7. Whereas the experience of the operation of the VAT Information Exchange System (VIES) established by Council Regulation (EEC) No 218/92¹⁷ has shown the value of information technology in protecting revenue whilst minimizing administrative burdens; whereas it has proved itself to be an essential tool of cooperation that has also stimulated wider cooperation among Member States;
8. Whereas communication and information exchange systems should be established and have their functioning assured as the needs of the indirect taxation systems evolve to secure further cooperation;
9. Whereas the experience gained by the Community from the Matthaues-Tax programme established by Council Decision 93/588/EEC¹⁸ and from the organization of multilateral control exercises has shown that exchanges, seminars and multilateral control exercises can, by bringing officials from different administrations together in work activities, achieve the objectives of the programme; whereas those activities should therefore be extended and continued;
10. Whereas the experience gained from the Matthaues-Tax programme has indicated that the coordinated development and implementation of a common training programme established by Commission Decision 95/279/EC¹⁹ can achieve the objectives of this programme, in particular in achieving a higher common standard of understanding of Community law; whereas such programmes should be developed further; whereas the Member States should therefore ensure that all of their officials receive the initial training and regular continuous training envisaged by the common training programmes;
11. Whereas a sufficient standard of linguistic competence on the part of indirect taxation officials has proved to be essential to facilitate cooperation; whereas the Member States should therefore provide the necessary language training for their officials;

¹⁷ OJ No L 24, 1.2.1992, p. 1.

¹⁸ OJ No L 280, 13.11.1993, p. 27.

¹⁹ OJ No L 172, 22.7.1995, p. 24.

12. Whereas the programme should be open to the participation of the associated countries of central and eastern Europe; whereas the programme should also be open to the participation of Cyprus;
13. Whereas the financing of the programme should be shared between the Community and the Member States, and the Community contribution should appear in the budget of the Commission;
14. Whereas this Decision lays down, for the entire duration of the programme, a financial framework constituting the principal point of reference, within the meaning of point 1 of the Declaration of the European Parliament, the Council and the Commission of 6 March 1995 on the incorporation of financial provisions and legislative acts²⁰, for the budgetary authority during the annual budgetary procedure;

HAVE ADOPTED THIS DECISION:

Article 1 **FISCALIS programme**

A multiannual Community action programme (FISCALIS programme), hereinafter referred to as "the programme", is hereby established for the period 1 January 1998 to 31 December 2002 to reinforce the functioning of the indirect taxation systems of the internal market.

It shall comprise the areas of action referred to in Articles 4, 5 and 6.

Article 2 **Definitions**

For the purpose of this Decision:

- (a) "indirect taxation" shall mean those indirect taxes which are the subject of Community legislation;
- (b) "administration" shall mean the public authorities in the Member States responsible for indirect taxation, and the Commission;
- (c) "official" shall mean an official responsible for the application of Community or national law, regulations or procedures relating to indirect taxation;
- (d) "exchange" shall mean a work-based visit in the Community interest of an official from one administration to another, organized under the programme;

²⁰ OJ No C 102, 4.4.1996, p. 4.

- (e) "bilateral and multilateral control exercises" shall mean joint collaboration of two or more administrations to integrate their controls of taxable persons having indirect tax obligations in each of the Member States concerned, within the Community legal framework for cooperation;
- (f) "the Community legal framework for cooperation" shall mean the body of Community legislation which provides for mutual assistance and administrative cooperation between Member States on indirect taxation.

Article 3 Objectives

The objectives of the programme shall be to reinforce, through Community action, the efforts of the Member States:

- (a) to achieve a high common standard of understanding of Community law and of its implementation in the Member States among officials;
- (b) to secure efficient, effective and extensive cooperation among the Member States and between them and the Commission;
- (c) to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers through the development and dissemination of administrative best practice.

Article 4 Communication and information exchange systems, manuals and guides

1. The Commission and the Member States shall establish and ensure the functioning of necessary communication and information exchange systems, manuals and guides.
2. The Community elements of the communication and information exchange system shall be the equipment, software and network links between Member States, required to be common to all Member States in order to ensure the overall interconnection and interoperability of the systems, whether they be installed in the premises of the Commission (or a designated sub-contractor) or in the premises of the Member States (or a designated sub-contractor).
3. The non-Community elements of the communication and information exchange systems shall include national databases forming a part of these systems, network links between the Community and non-Community elements and such software and hardware applications as each Member States shall deem appropriate for the full exploitation of these systems throughout their administration.

Article 5
Exchanges, seminars and multilateral control exercises

1. The Commission and the Member States shall organize exchanges. The exchanges shall vary in length, as appropriate, but shall not be longer than one year. Each exchange shall be targeted on a particular work activity and shall be sufficiently prepared beforehand, and evaluated afterwards, by the officials concerned.

Member States shall take the necessary steps to enable exchange officials to play an effective part in the host administration's activities, and to this end such officials shall be authorized to carry out the tasks relating to the duties entrusted to them by the host administration in accordance with its legal system.

During the exchange, the civil liability of the official in the performance of his duties shall be treated in the same way as that of officials of the host administration.

Exchange officials shall be bound by the same rules of professional secrecy as national officials.

2. Seminars shall be organized by the Commission and the Member States.
3. The Commission and the Member States shall organize, on a pilot basis, bilateral and multilateral control exercises within the Community legal framework for cooperation.

Article 6
Common training initiative

1. The Commission and the Member States shall develop existing and new common training programmes to provide a common core of training for officials. Member States shall ensure that their officials receive initial training as set out in the common training programmes; that all these officials shall receive regular continuous training as set out in the common training programmes.
2. Member States shall provide the necessary language training for their officials to ensure that they attain a sufficient standard of linguistic competence.
3. The Commission and the Member States shall develop the Community tools for indirect taxation training, including linguistic training tools.

Article 7
Participation of the associated countries

The programme shall be open to the participation of the associated countries of central and eastern Europe in accordance with the conditions laid down in Europe Agreements or their Additional Protocols relating to their participation in Community programmes and in so far as Community law on indirect taxation so permits. The programme shall also be

open to the participation of Cyprus in accordance with the Common Resolution on the establishment of a structured dialogue between the EU and Cyprus and in so far as Community law on indirect taxation so permits.

Article 8 Expenditure

1. The expenditure necessary for the implementation of the programme shall be shared between the Community and the Member States as provided for in paragraphs 2 and 3.
2. The Community shall pay the following:
 - (a) the travel and subsistence expenses for officials participating in another Member State in the activities provided for in Article 5 as well as the costs relating to the organization of the seminars provided for in Article 5(2);
 - (b) the cost of the development of the Community indirect taxation training tools provided under Article 6(3) and the manuals and guides provided under Article 4(1);
 - (c) the cost of the development, purchase, installation and maintenance necessary of the Community elements of the communication and information exchange systems defined in Article 4(2) and the cost of the day-to-day operation of the Community elements installed in the premises of the Commission (or a designated sub-contractor).
3. Member States shall pay the following:
 - (a) the costs relating to the initial and continuing training of their officials as provided for in Article 6(1) and to the language training of their officials as provided for in Article 6(2). Member States shall pay the costs relating to the participation of their officials in any extra activities organized within the framework of Article 5, in addition to those paid for by the Community;
 - (b) the costs relating to the establishment and functioning of the non-Community elements of the communication and information exchange systems defined in Article 4(3) and the cost of the day-to-day operation of the Community elements of these systems installed in their premises (or those of a designated sub-contractor).

Article 9 Financial framework

The financial framework for the implementation of the present programme for the period 1 January 1998 to 31 December 2002 is hereby set at ECU 45 million. The annual appropriations shall be authorized by the budgetary authority within the limits of the financial perspective.

Article 10 Implementation

The rules necessary for the implementation of this Decision shall be determined by the Commission in accordance with the procedure laid down in Article 11.

Article 11 Committee

1. In carrying out its tasks, the Commission shall be assisted by the Standing Committee on Administrative Cooperation in the field of Indirect Taxation established by Article 10 of Regulation (EEC) No 218/92, acting in an advisory capacity.
2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time-limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the Committee. It shall inform the Committee of the manner in which its opinion has been taken into account.

Article 12 Evaluation

1. This programme shall be subject to continuous evaluation, carried out in partnership between the Commission and the Member States. The evaluation shall be pursued by means of the reports referred to in paragraphs 2 and 3.
2. Member States shall forward to the Commission:
 - (a) by 30 June 2000 at the latest, an interim report, and
 - (b) by 31 December 2002 at the latest, a final reporton the implementation and the impact of this programme.
3. The Commission shall submit to the European Parliament and to the Council:
 - (a) by 30 June 2001 at the latest, a communication, on the basis of the Member States' interim reports, on the desirability of continuing this programme, accompanied, if necessary, by a suitable proposal;
 - (b) by 30 June 2003 at the latest, a final report on the implementation of this programme.

The reports shall also be forwarded to the Economic and Social Committee and to the Committee of the Regions for information.

Article 13
Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

It shall apply from 1 January 1998.

Article 14
Addressees

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF ACTION

A programme of Community action to reinforce the functioning of the indirect taxation systems of the internal market (FISCALIS programme)

2. BUDGET LINES CONCERNED

B5-305, a new line for FISCALIS.

3. LEGAL BASIS

Article 100a

Proposal for a European Parliament and Council Decision

OJ No C XX, XX.XX.1997, page X. .

4. DESCRIPTION OF THE ACTION

4.1 General objective of the action

To reinforce the effective, uniform and efficient functioning of the VAT and Excise systems through: the protection of national and Community financial interests through the effective combating of tax avoidance and tax evasion; the avoidance of distortions of competition in the effectiveness of the application of Community law; and the continuing reduction of compliance burdens on administrations and taxpayers.

The achievement of these general objectives is a matter for the Community and for the Member States. The specific objectives of this Community action are to reinforce the efforts of the Member States in: the achievement of a high common standard of understanding of Community law (and its implementation in the Member States) by indirect taxation officials; the securing of efficient, effective and extensive cooperation among Member States and between them and the Commission; and the assurance of the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers.

4.2 Period covered by the action and arrangements foreseen for its renewal

1 January 1998 to 31 December 2002. The Commission will submit to the European Parliament and the Council before 30 June 2001 a communication on the desirability of continuing this programme, accompanied, if necessary, by a suitable proposal.

5. CLASSIFICATION OF EXPENDITURE

5.1 Non-obligatory expenditure

5.2 Disassociated credits

6. TYPE OF EXPENDITURE

100% subsidy of the following activities:

Travel and subsistence costs of indirect taxation officials of the Member States related to their participation in exchanges, seminars or pilot multilateral control exercises outside their country or Member State.

Costs relating to the organization of seminars, including the travel and subsistence costs of representatives of external organizations participating in the seminars. Costs relating to establishing and assuring the ability to function of indirect taxation training tools, manuals and guides and the Community elements of communication and information exchange systems (central processors and links between Member States).

The financing of the participation of the associated countries in the programme will be determined according to the relevant agreements relating to their participation in Community programmes.

7. FINANCIAL IMPACT

7.1 Method of calculation of total cost of the action (link between individual and total costs)

All travel and subsistence costs (for the exchanges, seminars and multilateral control exercises) are calculated on the basis of the travelling expense and daily allowances currently enforced by the Commission for its own officials.

Exchanges

Given an average daily allowance of ECU 146 per day (average of Commission daily rates for all Member States) and an average travel cost of ECU 500, the breakdown of costs are as follows:

436 x 1 month exchanges @ ECU 4 588 = ECU 2 000 368

In 1997 over 300 two-week exchanges will take place under the Matthaeus-Tax programme. The increased cost for FISCALIS is therefore largely attributable to the development of longer exchanges. This responds to a demand from the exchange officials for a more profound exchange which permits real working cooperation. This is also more in line with the practice of the Matthaeus and Karolus programmes. The overall number of exchanges also needs to remain comparable with the Matthaeus-Tax programme, to maintain the penetration of the programme in national administrations. 436 exchanges is a tiny proportion of national indirect taxation officials²¹.

²¹ The second Commission report on VAT Procedures (COM(95) 354 final) indicated that there were about 450 000 VAT officials in the then twelve Member States. The new Member States and the national Excise administrations should be added to this.

Seminars

The average cost per seminar, based on the experience of the Matthaeus-Tax programme is approximately ECU 50 000. This permits about 8 seminars a year, down from 13 in 1995 and 8 in 1996. The funds for seminars are shown growing slightly: it is envisaged that pedagogical seminars for large groups of national officials will tour the Community, teaching particular subjects (e.g. control methodology). These will be part of the training initiative and will be cheaper, covering only the cost of the speakers' travel and subsistence

Multilateral control exercises

The multilateral VAT controls of nine companies which took place in 1995 and 1996 cost approximately ECU 340 000. At an average of ECU 40 000 per company control, 15 companies will be provided for in 1998. This increase is merited for two reasons.

The nine controls that have taken place to date is a tiny proportion of the potentially suitable 400 000 intra-Community taxable persons. The Commission's recent report on the operation of administrative cooperation²² underlined the important Community role in pioneering these controls and the importance of Member States funding their own additional controls. Second, Excise duties, hitherto excluded from these exercises, will be covered in future.

Communication and information systems

The estimates for 1998-2002 are based on the allocated funds for these systems in 1997 with a limited growth. This growth rate is to take into account the development of the new communication system and development of the existing VAT and Excise information systems as the needs of the VAT and Excise arrangements develop.

Language tools, manuals, guides

The costings for the project are partly based on the VISAFIN programme. This is a linguistic training tool developed by three Member States (F, UK, E) and part-funded by the Commission through the LEONARDO programme. In linguistic terms, the project has been a success and offers an excellent IT basis to be exploited.

The ECU 1.7 million total cost of the language tool compares to ECU 540.000, over two years, for the VISAFIN project. The language tool would cover 20 languages, as compared to 3 for VISAFIN. A straight extrapolation was not made because it is intended that a considerable proportion of the software developed for VISAFIN can be exploited by the new system.

²² COM(96) 681 final.

7.2 Breakdown of the action, by element

Commitments in Million Ecu (1997 value)

Element	1998	1999	2000	2001	2002	Total
Exchanges	2 000	2 100	2 100	2 100	2 200	10 500
Seminars	0 400	0 500	0 500	0 500	0 500	2 400
Multilateral control	0 600	0 900	0 900	1 000	1 000	4 400
Communication and information systems	4 300	5 300	5 400	5 500	5 500	26 000
Language tools, manuals, guides	0 100	0 400	0 400	0 400	0 400	1 700
Total (B5-305)	7 400	9 200	9 300	9 500	9 600	45 000

7.3 Timetable of commitments/payments

in Million Ecu

	1998	1999	2000	2001	2002	Total
Commitments	7 400	9 200	9 300	9 500	9 600	45 000
Payments						
1997						
1998	3 600					3 600
1999	2 400	4 000				6 400
2000	1 100	4 000	4 000			9 100
2001		1 200	4 000	4 000		9 200
2002			1 400	4 000	4 000	9 400
Total	7 100	9 200	9 400	8 000	4 000	37 700

8. ANTI-FRAUD PROVISIONS ENVISAGED

The payment of travel expenses and subsistence allowances to officials from the Member States will be made by the Member States themselves according to agreed rules. The sums necessary will be advanced to the Member States during the year, taking account of execution. The Member States will submit detailed justification of their expenditure and will retain all necessary documents for inspection. The payment of travel expenses to officials from other countries or representatives of external organizations and costs relating to the organization of seminars will be made either directly by the Commission services or through a contracted agency. Anti-fraud provisions (controls, etc.) will be included in any such contracts.

Subsidies related to other activities of the programme will be submitted to the usual procedure of verification by the Commission services before payment, taking account of contractual obligations and good financial or overall management. Anti-Fraud measures (controls and reports, etc.) are included in all such contracts between the Commission and beneficiaries.

9. COST-EFFECTIVENESS ANALYSIS

9.1 Specific quantifiable objectives, population concerned

- (a) to achieve a high common standard of understanding of Community law (and of its implementation in the Member States) among indirect taxation officials;
- (b) to secure efficient, effective and extensive cooperation among the Member States and between them and the Commission;
- (c) to ensure the continuing improvement of administrative procedures to take account of the needs of administrations and taxpayers through the development and dissemination of administrative best practice;

The population concerned are the indirect taxation administrations of the Member States and the associated countries, indirect taxpayers and professional groups.

9.2 Justification of the action

Whilst the functioning of the VAT and Excise systems is primarily a responsibility of the Member States' through their management of the indirect tax administrations, there is a role for the Community. The Community has to provide the necessary infrastructure and stimulus to reinforce the efforts of the Member States.

As the functioning of the VAT and Excise systems is largely the responsibility of national administrations, it is their officials which are the main target of Community action. The actions chosen are therefore all designed to improve their ability to do their job, either through training or through communicating and cooperating better with their colleagues from other Member States or through developing and disseminating best administrative practices.

Effective, efficient and extensive cooperation requires communication and information exchange systems which can really make a difference to the work of indirect taxation officials. The VIES has become an indispensable VAT control tool. The Commission and the Member States are currently discussing ways to maximize the use of fiscal SCENT. SEED and the EMVS have, even at an early stage, proved their usefulness. Communication is also a key part of cooperation. An effective communication system that is secure, fast, reliable and offers the possibility of translation is essential for cooperation, both in making it a success and in lowering the considerable barriers to requests for cooperation. Again, the experience of the VIES has shown that communication and information exchange systems not only meet the needs of existing cooperation but are also very effective in stimulating new cooperation (new subjects, methods and individuals) Lastly language tools, indirect taxation training tools, manuals and guides are also important in overcoming linguistic and practical barriers.

The exchanges, seminars and pilot multilateral control exercises are all based on past experience, notably in the Matthaesus-Tax and Matthaesus (Customs) programmes. The benefit of the exchanges (travel and subsistence) is multiplied by extensive preparation, targeting the objectives of the exchange and through evaluation and follow-up

(reports and seminars). The experience gained may fulfil all of the objectives of the programme and through good follow-up, this is extended, potentially, to all the national administration. In a similar way the benefit of the seminars is maximized through preparation, work in small groups and evaluation and follow up (national and Community reports and follow-up). Seminars are also fertile ground for suggestions for legislative change. The benefits of pilot multilateral control exercises are multiplied through tax evasion detected and through the seeds of future cooperation working methods that are sown. The benefits can also be maximized through further exercises funded by the Member States themselves.

All the above methods, given that they also involve a cost to the Member States, in terms of their officials' time, represent good value as catalysts for achieving the objectives of the programme, which are then developed further by the Member States.

Co-financing is not appropriate for these activities, because the implementation of the whole programme will directly entail costs for the Member State (training of staff, national exploitation of communication and information exchange systems, etc.). 100% Community funding of the Community elements of the information and communication systems is appropriate because of the necessity of guaranteeing uninterrupted operation of these systems

9.3 Follow-up and evaluation of the action

Indicators of performance

The best general indicators of the success of the programme are the figures for use of the existing instruments of cooperation. These will give an accurate picture of the achievement of the programme in making cooperation more effective, efficient and extensive. The number of requests for cooperation communicated and demands made of information exchange systems, the nature and speed of responses and the results achieved will give an effective overall picture of this vital aspect of the functioning of the VAT and Excise systems. The general achievement of the other objectives is less objectively quantifiable overall. Nevertheless through its contact with administrations, the Commission will gain a strong sample impression of the standard of understanding of Community law and the continuing improvement of administrative procedures. Whether quantifiable (for cooperation) or not, all of these general indicators can be evaluated against the current base position.

For each of the areas of action, the specific indicators will be:

Communication and information exchange systems: Indicators of the impact of these instruments will be principally through the evaluation of the general indicators, especially in the use made of them as instruments of cooperation. In addition specific questions in questionnaires for exchanges and seminars and, especially multilateral control exercises, will also be used to assess their impact.

Exchanges: At an individual level, questionnaires will be completed by exchange and the appropriate host officials at the end of each exchange. At a Member State level, six months later, the line managers of each exchange official will complete a similar questionnaire, to cross-reference the impressions of the official and to assess the longer term impact of the exchange in meeting the objectives for the administration as whole. At a Community level, the results of these questionnaires will be evaluated globally, and by sending and receiving Member State, on their success in meeting the objectives of the programme. These evaluation methods have already been used in the Matthaesus-Tax programme, which offers experience to be drawn on and a comparative base position. A similar plan of evaluation will be put in place for the seminars.

Pilot multilateral control exercises: At a Member State level, a full report of the results of each exercise will be submitted, which will assess the effectiveness of the exercise in meeting the specific objectives of the exercise and the objectives of the programme. At a Community level, reports of the exercises will be evaluated to assess their success in developing methods of cooperation, taking account of the number of exercises organized by the Member States without Community funding and any other follow-up activity.

Common training programmes, language training, Community indirect taxation training tools, manuals and guides: Indicators of the impact of these actions will primarily show up in their impact on the general indicators, especially the use made of the cooperation instruments, and on the evaluation of exchanges, seminars and multilateral control exercises. For the latter, specific questions in questionnaires will be foreseen to assess the level of their use. In addition, for language training, as part of a rolling plan of training, the skills of officials in each administration will also be monitored. As indicators of input, the levels of language training and under the common training programme will also be measured.

Arrangements for and frequency of evaluation

The programme will be constantly monitored by the Commission and the Member States working in the SCAC. The Commission will also submit a final report on the programme, drawing on interim and final reports from the Member States.

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

The provision of the required administrative resources is dependant upon the annual decision of the Commission concerning the allocation of resources, taking particular account of the extra personnel and financial resources made available by the budget authority.

10.1 Effect on staff resources

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent Posts	Temporary Posts	Existing resources	Additional resources	
Officials or temporary staff	A	6		4	2	
	B	4		2	2	
	C	3		3		
Other resources						
Total		13		9	4	

10.2 Overall financial consequences of supplementary human resources

		Amount ecu	Method of Calculation	Duration
Officials or temporary staff		424 000	106 000 * 4	5
				5
Total				2 120 000

Cost of existing 9 posts in DG = ECU 954 000 per year (ECU 106 000/year/person)

10.3 Increase in other administrative expenditure as a result of the operation

Budget Heading	Amounts	Method of calculation
A-130	45 000	see below (1)
A-2510	83 000	see below (2)
Total	128 000	

(1) Missions A-130

These credits will be found within the re-deployment of existing resources.

30 missions to Member States @ ECU 1 000 ECU 30 000

10 missions to the associated countries
@ ECU 1 500 ECU 15 000

(2) Meetings A-2510

SCAC (this group of experts already exists and does not represent extra expenditure)

4 meetings a year (two experts per Member State)
@ 30 x 4 x ECU 695 ECU 83 000

Total for Part A of the Budget ECU128 000

ISSN 0254-1475

COM(97) 175 final

DOCUMENTS

EN

09 10

Catalogue number : CB-CO-97-174-EN-C

ISBN 92-78-19014-4

Office for Official Publications of the European Communities

L-2985 Luxembourg