Steel: Global Forum takes important steps to tackle overcapacity

At the Ministerial meeting of the Global Forum on Steel Excess Capacity, held in Paris on 20 September, the world's biggest steel-producing nations agreed to further reduce capacity wherever necessary, avoid that overcapacity is exacerbated in the future, as well as to work to eliminate subsidies which cause overcapacity.

Vice-President for Jobs, Growth, Investment and Competitiveness Jyrki **Katainen**, who co-chaired the Paris meeting, said: *"This sends a clear message: we will not repeat the costly mistakes of the past, and must tackle excess capacity and its root causes to avoid dire social, economic, trade and political consequences in the future. This will protect growth and jobs in an efficient, sustainable EU steel industry. A lot of work lies ahead though and all members of the Global Forum will have to continue implementing their commitments resolutely and report to G20 Leaders."*

Commissioner for Trade Cecilia **Malmström** said: *"The global challenge of overcapacity has strained trade relations and the global trade architecture to its breaking point. Progress in this Forum at this sensitive time demonstrates that multilateral cooperation is not only possible, but that it is actually the best tool to tackle global challenges. Putting this agreed package in place is something that the European Union will now follow closely. Our workforce and our industry depend on these commitments being carried out."*

The Global Forum is a key body in the fight against persistent global overcapacity in the steel sector. It has already produced tangible results, such as producing reliable and shared statistics on steel production, capacity and excess capacity amongst major steel producers, and starting efforts to cut overcapacity where it is the most needed. This week's commitments build on the engagements made by minister's at their 2017 meeting in Berlin.

The body will finalise its assessment of subsidies leading to overcapacity by the end of the year. In the face of persistent global overcapacity despite recent efforts, the Forum will in 2019 identify further reductions to be undertaken. Finally, the Forum agreed to monitor global capacity increases regularly to stop such a serious case of overcapacity happening again in the future.

Background

The steel sector is a vital industry for the European Union's economy and occupies a central position in global value chains, providing jobs for hundreds of thousands of European citizens.

The global surplus in steelmaking capacity reached around 540 million metric tonnes in 2017 – a drop from 2016 peaks but still the second highest level in history. This has driven down steel prices to unsustainable levels in recent years and had a damaging impact on the steel sector, as well as related industries and jobs.

In March 2016 the Commission issued a Communication presenting a series of measures to support competitiveness of the EU steel industry.

The Commission has acted among others through trade defence, imposing antidumping and anti-subsidy duties, to shield the EU's steel industry from the effects of unfair trade. The EU currently has an unprecedented number of trade defence measures in place targeting unfair imports of steel products, with a total of 53 anti-dumping and anti-subsidy measures. The EU has also activated all legal and political tools at its disposal to fight unjustified US 232 measures.

However, these efforts can only address the effects of global overcapacity on trade – not its root causes. To that effect, the EU participated in the creation in December 2016 of the Global Forum on Steel Excess Capacity. Bringing together 33 economies – all G20 members plus some other interested OECD countries – it includes all the world's major producers.

Since its creation the participating economies have exchanged data on steel capacity, subsidies and other support measures. This increase in transparency has enabled the Global Forum members to focus on the underlying causes of the problem of overcapacity in steel and agree on concrete steps to address them by enhancing the role of the market and changing the structure of the industry.

For more information

[November 2017 Global Forum package of policy solutions to overcapacity in steel sector]

[Daily News 21 / 09 / 2018]

Boosting Multilateralism: President Juncker and a high-level EU delegation at the 73rd United Nations General Assembly Ministerial week

President Jean-Claude **Juncker** will be in New York next week for the 73rd United Nations General Assembly, with a high-level delegation from the European Union. EU representatives will host and participate in a large number of events and meet with world leaders, underlining the European Union's steadfast commitment to a strong and effective United Nations, and building support for multilateralism and a rules-based global order. As President **Juncker** said in his 2018 [State of the Union Speech] on 12 September: "*Europe will never be a fortress, turning its back on the world or those* *suffering within it. Europe is not an island. It must and will champion multilateralism. The world we live in belongs to all and not a select few."* President **Juncker** and High Representative/Vice-President Federica **Mogherini** will kick-off the week on Sunday 23 September, with a bilateral meeting with UN Secretary General António Guterres, reconfirming the strategic EU-UN partnership. Together, they will also meet with African Union (AU) Commission Chairperson Moussa Faki Mahamat to discuss how to take forward the work of the innovative EU-UN-AU trilateral cooperation. On Monday 24 September, President **Juncker** will address the **Nelson Mandela Peace Summit** –a high-level meeting on global peace in honour of the centenary of the birth of Nelson Mandela. On Tuesday 25 September President **Juncker**, First Vice-President Frans **Timmermans** and HR/VP **Mogherini** will join the President of the European Council Donald **Tusk** for the opening of the 73rd General Assembly. President **Juncker** will also have a series of bilateral meetings, including with Mr Uhuru Kenyatta, President of Kenya; Mr Paul Kagame, President of Rwanda and Chairperson of the African Union, and Mr Mamuka Bakhtadze, Prime Minister of Georgia. The EU will be hosting a number of **flagship events** in the margins of the General Assembly, and EU representatives will have a full agenda of high-level debates and side events, as well as numerous bilateral meetings. For more details on the agenda, see the full press release here. Press and audio-visual material will be available on EbS, EEAS, Europa and Consilium websites. For more information on EU–UN relations, see the factsheet here. *(For more information: Margaritis Schinas – Tel.: +32 229 60524; Maja Kocijancic – Tel.: +32 229 86570; Esther Osorio – Tel.: +32 229 62076)*

TVA: Selon de nouveaux chiffres, les États membres de l'UE continuent de perdre près de 150 milliards € de recettes

Les pays de l'UE ont perdu près de €150 milliards de recettes de TVA (taxe sur la valeur ajoutée) en 2016, selon une nouvelle étude publiée aujourd'hui par la Commission européenne. Cette perte appelée «écart de TVA» (ou "VAT Gap") correspond à la différence entre les recettes de TVA attendues et le montant effectivement perçu. Alors que les États membres ont effectué un travail considérable pour améliorer la perception de la TVA, les chiffres publiés aujourd'hui montrent que la réforme du système actuel de TVA de l'UE, alliée à une meilleure coopération au niveau de l'UE, est nécessaire pour que les États membres puissent utiliser pleinement les recettes de TVA dans leur budget. Pierre **Moscovici**, commissaire pour les affaires économiques et financières, la fiscalité et les douanes, a déclaré à ce sujet: *«Les États membres ont amélioré la perception de la TVA dans l'ensemble de l'UE. Cet effort doit être reconnu et salué. Mais une perte de €150 milliards par an pour les budgets nationaux reste inacceptable, en particulier lorsque sur cette somme, €50 milliards finissent dans les poches des fraudeurs, des criminels, voire même des terroristes. Une amélioration substantielle ne sera possible qu'avec l'adoption de la réforme de la TVA que nous avons proposée il y a un an. J'invite instamment les États membres à avancer sur le système de TVA définitif avant les élections au Parlement européen en 2019.»* En termes nominaux, l'écart de TVA a diminué de €10,5 milliards pour s'établir à €147,1 milliards en 2016, soit une baisse à 12,3 % du montant total des recettes de TVA par rapport à 13,2 % l'année précédente. Le rapport, un communiqué de presse, un MEMO et un factsheet sont disponibles. *(Pour plus* *d'informations: Johannes Bahrke – Tel.: +32 229 58615; Patrick McCullough – Tel.: +32 229 87183)*

EU provides €9 million for disaster preparedness in the Southern Africa and Indian Ocean Region

The Commission has released €9 million for disaster preparedness initiatives in Madagascar, Malawi, Lesotho, Mozambique and Zimbabwe as well as to promote effective humanitarian action at regional level. The Southern Africa and Indian Ocean Region is frequently affected by natural disasters that hit the most vulnerable populations, causing casualties and population displacement. "*Natural* disasters *pose a recurring threat to this region and may jeopardise the beneficial impact our assistance has had on those in need. The EU therefore invests in assisting communities to be better prepared to withstand and respond, so that they never have to start from zero after a disaster strikes."*said Commissioner for Humanitarian Aid and Crisis Management Christos **Stylianides**. The EU humanitarian aid will fund partner organisations that promote resilience building and preparedness activities in the region. *(For more information: Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Daniel Puglisi – Tel.: +32 229 69140)*

Commerce: La Mauritanie signe l'Accord de Partenariat Economique régional entre l'Afrique de l'Ouest et l'Union Européenne

La Mauritanie est devenue aujourd'hui le 15ème pays d'Afrique de l'Ouest à avoir signé un accord commercial de région à région, l'Accord de Partenariat Economique (APE) avec l'UE, un accord négocié avec 16 pays de la région. L'objectif de cet accord sur mesure est de promouvoir le commerce entre l'Union Européenne et les Etats Africains, contribuer au développement durable, accroître l'investissement et réduire la pauvreté. Une fois signé par le Nigéria, le 16ème et final signataire Ouest Africain, l'accord sera soumis à ratification. En attendant, la Côte d'Ivoire et le Ghana se sont déjà engagés dans des accords d'étape qui seront remplacés dans le futur par l'APE régional avec l'Afrique de l'Ouest. Les APE ont pour objectif de promouvoir les échanges commerciaux entre l'UE et les pays africains, contribuer au développement durable, à l'augmentation des investissements, à la création d'emploi et à la réduction de la pauvreté. Comme le souligne la nouvelle alliance Afrique-Europe pour des emplois et des investissements durables lancée par le Président Juncker lors de son discours sur l'état de l'union, l'idée à long terme est de parvenir à un accord de libre-échange intercontinental global entre l'UE et l'Afrique. Les accords de partenariat économique, les accords et les autres régimes commerciaux avec l'UE devraient être exploités dans toute la mesure du possible, pour former la base de la zone continentale africaine de libre-échange. Le 26 octobre 2018, le comité ministériel conjoint au commerce UE-ACP (les Etats du groupe Afrique, Caraïbe, et Pacifique) se tiendra à Bruxelles pour discuter de l'état des lieux des sept Accords de Partenariat Economique entre l'UE et les pays d'Afrique, des Caraïbes et du Pacifique. Dans son discours sur l'Etat de l'Union, le Président Juncker a lancé une nouvelle alliance Afrique-Europe pour des investissements et des emplois durables. L'UE est déjà le plus grand partenaire commercial de l'Afrique et le plus grand investisseur en Afrique. Néanmoins une grande partie du potentiel économique et commerciale reste inexploitée à la fois entre les pays africains et entre l'Afrique et l'Union Européenne. Les Accords de Partenariat Economique et les autres accords commerciaux jouent une part importante dans ce processus. *(For more information: Daniel Rosario – Tel.: +32 229 56185; Kinga Malinowska – Tel: +32 229 51383)*

Commissioner Malmström and her counterparts from Georgia, Moldova and Ukraine discuss the implementation of Deep and Comprehensive Free Trade Areas

Commissioner for Trade Cecilia **Malmström** met yesterday in Brussels with Stepan Kubiv, First Vice Prime Minister and Minister of Economic Development and Trade of Ukraine, Iurie Leanca, Deputy Prime Minister for European Integration of the Republic of Moldova and Giorgi Kobulia, Minister of Economy and Sustainable Development of Georgia. The informal ministerial meeting, held as a follow-up to the Eastern Partnership Summit of November 2017, focused on the implementation of the Deep and Comprehensive Free Trade Areas (DCFTAs) that the three countries have put in place under their respective Association Agreements with the EU. In a statement following the meeting, the leaders jointly noted that "*the boost in trade already evident after the first years of these agreements being in place*" and agreed that "*promoting mutual market access and aligning with EU law will lead to more benefits, and we reflected on the different challenges that remain in order to realise the full potential of the DCFTAs*." The discussion focused specifically on areas of joint interest where positive results can be expected in the near future, as long as reforms are carried out in a timely manner. Those include public procurement, opportunities for SMEs, sanitary and phytosanitary issues as well as customs procedures and trade facilitation. The ministers talked also about the ways to increase the effectiveness of the use of EU financing instruments to promote trade and investment across the region and address existing challenges. The discussions on issues related to the implementation of the DCFTAs will continue, especially in view of the meeting of the Eastern Partnership Foreign Ministers on 15 October, where participants will take stock of the progress made towards the objectives fixed under "20 Deliverables for 2020".More on EU trade with Georgia, Moldova and Ukraine. *(For more information: Daniel Rosario – Tel.: +32 229 56185; Kinga Malinowska – Tel: +32 229 51383)*

17th European country to join eHealth cooperation for personalised healthcare

Croatia became today the 17thEU country to sign the European Declaration on linking genomic databases across borders that will improve understanding and prevention of diseases, allowing for more personalised treatments, in particular for rare diseases, cancer and brain related diseases. The signature took place in Brussels during the kick-off meeting to launch the implementation of the Declaration. The Declaration is an agreement of cooperation between the countries that want to provide secure and authorised cross-border access to national and regional banks of genetic and other health data, in accordance with all EU data protection rules. This eHealth initiative will also keep the EU at the forefront of personalised medicine globally, fostering scientific output and industrial competitiveness. The Declaration was originally launched on 10 April 2018 during the Digital

Day and has been since then signed by Austria, Bulgaria, the Czech Republic, Cyprus, Estonia, Finland, Greece, Italy, Lithuania, Luxembourg, Malta, Portugal, Slovenia, Spain, Sweden and the UK. Read more about European digital health initiative here and in our recent press release. *(For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund Tel.: +32 229 50698)*

Antitrust: Commission invites comments on Transgaz commitments concerning natural gas exports from Romania

The European Commission invites comments on commitments submitted by Transgaz to address competition concerns regarding the free flow of natural gas from Romania. The commitments would aim to enable natural gas exports from Romania to other Member States, in particular Hungary and Bulgaria. Following a formal investigation opened in June 2017, the Commission has concerns that Transgaz, the state-controlled gas transport infrastructure operator in Romania, may have breached EU competition rules by restricting exports of natural gas from Romania. Such restrictions may have taken place by delaying construction of infrastructure required for gas exports and by making gas exports commercially unviable through increases in interconnection tariffs. Such behaviour, if established, would breach EU competition rules that prohibit the abuse of a dominant market position. To address the Commission's competition concerns, Transgaz has offered commitments that would allow commercially meaningful export capacities from Romania to be made available for the first time. Commissioner Margrethe **Vestager**, in charge of competition policy, said: "*Natural gas consumers across the EU should enjoy the benefits of an integrated and competitive single European energy market. We are assessing whether the commitments proposed by Transgaz would promote the free flow of natural gas in South Eastern European markets at competitive prices, in particular by connecting Romania with its neighbours Hungary and Bulgaria. We want to hear stakeholders' views before taking any decision.*" A full press release is available in EN, FR,DE. *(For more information: Lucia Caudet – Tel.: +32 229 56182; Maria Tsoni – Tel.: +32 229 90526)*

Mergers: Commission clears the acquisition of joint control over ILS by Goldman Sachs and ORIX Kabushiki Kaisha

The European Commission has approved, under the EU Merger Regulation, the acquisition of joint control over ILS of Japan, by Goldman Sachs of the US, and ORIX Kabushiki Kaisha ("ORIX") of Japan. ILS is a pharmaceutical company. Goldman Sachs is a global investment banking, securities and investment management firm. ORIX is a multinational integrated financial services and investment group. The Commission concluded that the proposed transaction would raise no competition concerns given the lack of horizontal overlaps and vertical relationships between the companies' activities in the European Economic Area. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.9098. *(For more information: Lucía Caudet – Tel. +32 229 56182; Maria Tsoni – Tel.: +32 229 90526)*

ANNOUNCEMENTS

Commissaire King en visite à Paris

Julian **King**, Commissaire chargé de l'union de la sécurité, sera à Paris lundi, où il rencontrera M. Laurent Nuñez, le Directeur général de la sécurité intérieure pour discuter des questions relatives à la sécurité européenne, en particulier des propositions faites par la Commission pour lutter contre le contenu terroriste en ligne. Le Commissaire participera aussi à une table ronde aux deuxièmes assises du comité de la filière des industries de sécurité (CoFIS), où il présentera les efforts de la Commission pour soutenir le développement de l'industrie européenne de la sécurité, y compris dans le cadre du prochain budget européen. *(Pour plus d'informations: Natasha Bertaud – Tel.: +32 229 67456; Katarzyna Kolanko – Tel.: 32 229 63444)*

Kicking off the 2018 European Week of Sport

Tibor **Navracsics**, European Commissioner for Education, Culture, Youth and Sport, will be in Vienna tomorrow to officially launch the fourth edition of the European Week of Sport, the Commission's #BeActive initiative to promote sport and physical activity across Europe. As in previous years, thousands of activities will be taking place in all participating countries – which this year, for the first time, also include countries from the Western Balkans and the Eastern Partnership regions. On 29 September, the first ever #BeActive night, a night of sport events, will happen at the same time across Europe. Ahead of the launch, Commissioner **Navracsics** said: *"Sport is fun and vital for our well-being. It also helps to bring people together and build communities. The European Week of Sport celebrates and promotes all of these aspects. I am looking forward to this year's edition which looks set to be the biggest and best yet – and I hope we can inspire many more people to make sport a part of their daily lives in the long term."* To coincide with the Week, new country factsheets on physical activity, developed by the Commission, the World Health Organization and EU Member States, will be published here on Monday. For more information on what the EU is doing for sport, see Sport in the EU. (*For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Joseph Waldstein – Tel.: +32 229 56184)*

Upcoming events of the European Commission (ex-Top News)

Calendar

Commissioners' weekly activities

Boosting Multilateralism: President Juncker and a high-level EU delegation

at the 73rd United Nations General Assembly Ministerial week

The EU representatives will host and participate in a large number of events and meet with world leaders, in line with the European Union's steadfast commitment to strive for a strong and effective United Nations and build support for multilateralism and a rules-based global order.

As President **Juncker** said in his 2018 State of the Union Speech on 12 September: "*Europe will never be a fortress, turning its back on the world or those suffering within it. Europe is not an island. It must and will champion multilateralism. The world we live in belongs to all and not a select few.*"

President Jean-Claude **Juncker** and High Representative Federica **Mogherini** will kick-off the week on Sunday, 23 September, with a bilateral meeting with UN Secretary General António Guterres, reconfirming the strategic EU-UN partnership. Together, they will also meet with African Union (AU) Commission Chairperson Moussa Faki Mahamat to discuss how to take forward the work of the innovative EU-UN-AU trilateral cooperation.

President **Juncker** will address the **Nelson Mandela Peace Summit** on Monday, 24 September, a high-level meeting on global peace in honour of the centenary of the birth of Nelson Mandela.

On Tuesday, President **Juncker**, First Vice-President Frans **Timmermans** and High Representative/Vice-President **Mogherini** will join the President of the European Council Donald **Tusk** for the opening of the 73rd General Assembly. President Tusk will address the General Assembly on behalf of the EU on Thursday, 27 September.

EU Flagship events during the week

The EU will host or co-host a number of **flagship events** in the margins of the General Assembly:

- Commissioner Cecilia **Malmström** will co-chair the **First Ministerial meeting of the Alliance for Torture-Free Trade** on Monday, 24 September. The Members of the Alliance, almost 60 countries, will take stock of progress to ban the trade in goods used for torture and the death penalty. More countries will join the Alliance at the event, and members will discuss how to launch work towards a binding United Nations convention to ban this trade.
- On Tuesday, 25 September, First Vice-President **Timmermans** will co-host with the UN Environment Programme an event on "**Fighting Plastic Pollution: A Global Race to the Top",** which will encourage governments around the world to follow the EU's lead and tackle this cross-border challenge. The EU is at the forefront of the global transition towards a more circular economy, transforming how products are designed, produced, used, and recycled in a way that is positive for our environment and

boosts our industry’s competitiveness.

- The same day, High Representative/Vice-President **Mogherini** will convene the **Global Tech Panel**, launched in May 2018 and bringing together global leaders from private sector and civil society, with the aim to foster new types of cooperation between diplomacy and technology.
- The EU will host a fifth high-level event on the **Syria crisis** on 26 September, chaired by High Representative/Vice-President **Mogherini** and Commissioner Christos **Stylianides**, reaffirming EU and international support to a political solution to the Syria conflict and address the humanitarian and resilience needs of those affected by the crisis inside Syria and across the region.
- On the same day, Commissioner **Stylianides** will co-host the event “**Under cross-fire: the protection of civilians and respect for international humanitarian law”**, together with Belgium and OCHA.
- On 27 September, High Representative/Vice-President **Mogherini** will, together with EU Special Representative for Human Rights Stavros **Lambrinidis,** launch the “**Good Human Rights Stories”** initiative, promoting a positive narrative on human rights in the world, in view of the 70th Anniversary of the Universal Declaration of Human Rights.
- Also on 27 September, High Representative/Vice-President **Mogherini** and Commissioner Neven **Mimica** will launch the next phase of the **EU-UN Spotlight Initiative**, aimed at eliminating all forms of violence against women and girls: the Latin America programme with a special focus on femicide. The same day, Commissioner **Stylianides** will co-host the **Call to Action on gender-based violence in emergency situations**.

Other high-level events of the week

EU representatives will have a full agenda of high-level debates and side events, as well as numerous bilateral meetings:

- On 24 September, High Representative/Vice-President **Mogherini** will chair an informal meeting of the EU Foreign Ministers, with Syria and Libya on the agenda. The same day, she will also chair a ministerial meeting of the E3/EU+2 and Iran on the implementation of the Joint Comprehensive Plan of Action (JCPOA), the Iran nuclear deal.
- First Vice-President **Timmermans**, along with President Tusk and High Representative/Vice-President **Mogherini**, will be opening the annual EU reception on Wednesday, 26 September.
- On 26 September, the European Union will be represented by Vice-Presidents Maroš **Šefčovič** andValdis **Dombrovskis,** as well as Commissioner **Mimica** at the One Planet Summit – a follow-up event to accelerate the implementation of the Paris **climate targets.** Prior to that First Vice-President **Timmermans,** Vice-Presidents **Šefčovič** and**Dombrovskis**, as well as Commissioner Pierre **Moscovici** and Margarethe **Vestager** will attend the Bloomberg Global Business Forum.
- Vice-President Andrus **Ansip** will participate in the annual meeting of the Broadband Commission for Sustainable Development**.**
- Commissioner Vytenis **Andriukaitis** will represent the EU at the High-Level meetings related to health, on the **Prevention and control of non-communicable diseases** and on **Tuberculosis**.

- On 26 September, High Representative/Vice-President **Mogherini** and Commissioner Johannes **Hahn** will meet with leaders from the **Western Balkans** over a working dinner. Commissioner Hahn will on 25 September also host a working breakfast with the Foreign Ministers from the region.
- Commissioner **Avramopoulos** will address an event hosted by the UN Refugee Agency on the Global Compact on Refugees on 24 September, and on 26 September speak at an event on the Global Compact on Migration.
- High Representative/Vice-President **Mogherini** and Commissioner **Hahn** will co-host on 27 September a ministerial meeting on the UN Relief and Works Agency for Palestine. The same day High Representative/Vice-President **Mogherini** and Commissioner **Mimica** will represent the EU in the **High Level Meeting on Somalia**. Commissioner **Mimica** will alsorepresent the EU at a ministerial meeting on the Central Africa Republic**.**
- On 28 September, Commissioner **Mimica** will officially launch the negotiations with the African, Caribbean and Pacific countries (ACP) on a new partnership agreement, which will succeed the Cotonou Agreement.

The entire agenda of the individual EU representatives can be found on their websites.

For More Information

Press and audio-visual material will be available on EEAS, Europa and Consilium.

Join the conversation online on Twitter, Instagram and Facebook using #UNGA, #EU and follow @EUatUN and the Commissioner's accounts for live updates throughout the week.

Factsheet: The EU at the United Nations

Factsheet: EU – UN Partnership: Facts and Figures

Council Conclusion on EU priorities at the United Nations and the 73rd United Nations General Assembly

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VAT Gap: Frequently asked questions

See also IP/18/5787

What is VAT?

Value Added Tax (VAT) is a consumption tax, charged on most goods and services traded in the EU. The tax is levied on the 'value added' to the product at each stage of production and distribution. This means that VAT is charged when VAT-registered businesses sell to other businesses (B-2-B) or to the final consumer (B-2-C). VAT is intended to be 'neutral', in that businesses are able to reclaim any VAT that they pay on goods or services. Ultimately, the final consumer should be the only one who is actually taxed. Businesses are given a VAT identification number and have to show the VAT charged to customers on their invoices. The VAT system in the EU is governed by a common legal framework.

What is the VAT Gap?

The VAT GAP is the overall difference between the expected VAT revenue and the amount actually collected. The VAT gap is defined as the difference between the amount of VAT amount actually collected and the VAT Total Tax Liability (VTTL), in absolute or percentage terms. The VTTL is an estimated amount of VAT that is theoretically collectable based on the VAT legislation and ancillary regulations.

The VAT Gap measures the effectiveness of VAT enforcement and compliance measures in each Member State, as it provides an estimate of revenue loss due to fraud and evasion, tax avoidance, bankruptcies, financial insolvencies as well as miscalculations.

What are the main findings of the 2016 Report on the VAT Gap?

During 2016, the overall VAT Total Tax Liability (VTTL) for the EU Member States stayed at the same level, while collected VAT revenues rose by 1.1 percent. As a result, the overall VAT Gap in the EU Member States saw a decrease in absolute values of about €10.5 billion, down to €147.1 billion. As a percentage, the overall VAT Gap decreased from 13.2% to 12.3 %.

In 2016, Member States' estimated VAT Gaps ranged from 0.85% in Luxembourg, to 35.9% in Romania. Overall, the VAT Gap decreased in the majority of Member States, with the largest improvements noted in Bulgaria, Latvia, Cyprus, and the Netherlands and increased in six – namely, Romania, Finland, the UK, Ireland, Estonia, and France.

What is being done at EU level to improve VAT collection?

Much progress has been achieved since the beginning of the Juncker Commission mandate to strengthen the ability of Member States to administer and collect VAT in their countries:

- Since 2015, new rules for sales of e-services online came into force which allows Member States to collect VAT where the consumer is based – an underlying basic principle of the tax. This is made possible through a 'One Stop Shop' which allows traders to take care of all their VAT obligations using one online portal.
- Member States have also now agreed to extend this new system to sales of goods online, delivering another boost for VAT collection in the EU and helping authorities to recoup the current estimated €5 billion of VAT lost on online sales every year. For the first time, online marketplaces will also be made responsible for ensuring VAT is collected on sales on their platforms made by companies in non-EU countries to EU consumers.

- The EU has also recently agreed on a ground-breaking new framework to exchange more information and boost cooperation between national tax authorities and law enforcement authorities. Once in force, Member States will be able to exchange more relevant information and to cooperate more closely in the fight against criminal organisations, including terrorists.

That said, Member States should now move forward and agree as soon as possible on the much broader reform to cut down on VAT fraud in the EU's system, as proposed last year by the Commission. VAT fraud results from weaknesses in the current VAT system and the way in which tax administrations manage VAT collection. A recent study suggests that on average 36% of the VAT Gap is due to VAT fraud. As VAT is a major revenue source for Member States, VAT losses, including those due to VAT fraud, have a big impact on the State budget. The new rules would help to make the VAT system much more fraud-resilient and easy to use for business, while bringing in much needed revenues for Member States.

What methodology was used to calculate the VAT Gap?

The study derives the VTTL for each country from national accounts by mapping information on different VAT rates (standard, reduced and exemptions) onto data available on final and intermediate consumption, along with other information provided by Member States. This means that the quality of the VAT Gap estimates depends on the accuracy and completeness of national accounts data.

When national accounts figures are reliable, the methodology is precise enough to estimate the VAT Gap. The main limitation of the methodology is the quality of the national accounts: better data-in, better estimations-out. Moreover, Member States use different methodology to estimate the informal economy and to reflect it in their national accounts, thus indirectly affecting the VAT gap figures.

What causes such differences in the VAT Gap between the Member States?

Variations in the VAT gap reflect the differences in Member States in terms of tax compliance, fraud, avoidance, bankruptcies, insolvencies and tax administration. The estimates also reflect structural differences in national economies and other variables. Indirect circumstances such as the organisation of national statistics could also have an impact on the size of the VAT Gap.

What is the Policy Gap?

The Policy Gap is an indicator of the additional VAT revenue that a Member State could theoretically collect if it applied a uniform VAT rate on all consumption of goods and services supplied for consideration.

The Policy Gap as defined above can in turn be broken down into the Rate Gap and the Exemption Gap. As the terminology suggests, the Rate Gap represents the potential revenue loss due to the existence of reduced rates, whereas the

Exemptions Gap represents the potential revenue loss due to the existence of exempted supplies of goods and services.

The Exemption Gap, or the average share of Ideal Revenue lost due to various exemptions is normally the larger of the two and is at 34.9 percent in the EU on average. Member States with the highest Exemption Gap are Spain (46.7%) and UK (44.7%), whereas the lowest value of the Exemption Gap was observed in Cyprus (16.8%) and Romania (24.9%). The Exemption Gap in Spain is relatively high due to the application of other than VAT indirect taxes in the Canary Islands, Ceuta, and Melilla. The largest part of Exemption gap is composed of exemptions on services that cannot be taxed in principle, such as imputed rents, the provision of public goods by the government, or financial services. The remaining level of "Actionable" Exemption Gap is about 6.5%, on average.

The Rate Gap, on the other hand, ranges from a low of under 1% in the case of Denmark, to a high of 27% in Cyprus. The average is just under 10%.

The results moderate views about the relative importance of reduced rates and exemptions in decreasing the potential VAT revenue, and suggest that better enforcement remains a key component of any strategy to improve the functioning of the VAT system.

VAT: EU Member States still losing almost €150 billion in revenues according to new figures

The so-called 'VAT Gap' shows the difference between the expected VAT revenue and the amount actually collected. While Member States' have carried out a lot of work to improve VAT collection, today's figures show that reform of the current EU VAT system combined with better cooperation at EU level are needed so that Member States can make full use of VAT revenues in their budgets.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs said: *"Member States have been improving VAT collection throughout the EU. This must be recognised and commended. But a loss of €150 billion per year for national budgets remains unacceptable, especially when €50 billion of this is lining the pockets of criminals, fraudsters and probably even terrorists. A substantial improvement will only come with the adoption of the VAT reform we proposed a year ago. I urge Member States to move forward on the definitive VAT system before the European Parliament elections in 2019."*

In nominal terms, the VAT Gap decreased by €10.5 billion to €147.1 billion in

2016, a drop to 12.3% of total VAT revenues compared to 13.2% the year before. The individual performance of the Member States still varies significantly. The VAT Gap decreased in 22 Member States with Bulgaria, Latvia, Cyprus, and the Netherlands displaying strong performances, with a decrease in each case of more than 5 percentage points in VAT losses. However, the VAT Gap did increase in six Member States: Romania, Finland, the UK, Ireland, Estonia, and France.

While much progress has been achieved to improve VAT collection and administration at the EU level, Member States should now move forward and agree as soon as possible on the much broader reform to cut down on VAT fraud in the EU's system, as proposed last year by the Commission. The reboot would improve and modernise the system for governments and businesses alike, making the system more robust and simpler to use for companies.

Background

The VAT Gap study is funded by the EU budget and its findings are relevant for both the Union and Member States as VAT makes an important contribution to the Union and national budgets. The study applies a "top-down" methodology using national accounts data to produce estimations of the VAT gaps.

For the first time, the 2018 report includes a broader analysis of the effect of some external factors such as the productive structure of the economy and unemployment, as well as those under the direct control of the tax administration such as the size of the tax administration and IT expenditures. This aspect is particularly important since investment in IT usually leads to a VAT gap reduction, as set out in recommendations previously made by the Commission to the Member States.

Useful links

For more information, see our FAQ.

The full report and a factsheet is available here .

VIDEO: Commissioner Moscovici on the fight against VAT fraud