

UFE: Turnover tax fraud costs Europe €100 bn

UFE chairman Dieter Ondracek received more than 100 delegates, guest delegates and guests on the occasion of the 42nd committee of the Union of Finance Personnel in Europe from 5 to 8 September 2004 in Stockholm.

It was enjoyable that, once again, not only the present EU member states, but also colleagues from Norway, Iceland and Switzerland were present. In anticipation of the EU enlargement as of 1 May 2004, the Hungarian tax union as well as the Polish customs union had joined the UFE. At this year's committee meeting, the Czech customs union, too, declared its accession.

Prominent speakers included, among others, Bo Ringholm, the Swedish finance minister, Göran Ekstöm, the director-general of the Swedish customs administration, Alf Nilsson, the deputy director-general of the tax administration as well as Anne Carnhede and Björn Hartvigsson, the heads of the union.

In his address, the Swedish finance minister gave an overview over the state of the Swedish economy and the economic development in Sweden, also with regard to the integration of the EU average and in comparison with other EU member states. In terms of economic indicators, he explained Sweden's very good values as regards education and research, especially the education of younger people as well as the high status of employment. The unemployment rate in Sweden is currently 5%; by 2006 its decrease to 4% is aimed at, whereas the EU average unemployment rate is 8%. Bo Ringholm said that negative factors were the high price level in Sweden, large transportation costs as well as, naturally, the considerable heating costs. Bo Ringholm explained Sweden's plans to reduce the income tax for households.

UFE chairman, Dieter Ondracek, went, in his speech, into the problems of the customs caused by the shifting of the EU external borders. In addition to this, he described conditions needed for an efficient customs regime like e.g. the harmonization of IT standards, the intensification of data exchange and the necessity of a joint education and further education system. Such efforts are the precondition for a customs administration that will be able to continue to fulfil its role as a security and health guarantor in the future. In this connection, Dieter Ondracek explained the need for the standardisation of a minimum inspection quota for the import and export of industrial goods as well as for an agreement of the USA with the whole EU in the framework of the project "container security" in European sea ports.

In terms of taxes, Dieter Ondracek called for the consideration of the following points: a uniform basis for assessment of the corporate income tax cannot be dispensed with. The space for turnover tax fraud increased with the accession of ten new member states. The problems of illegal employment and the concomitant tax evasion gradually intensify. Aspects of the EU interest tax guideline bring up further questions.

The director-general of the customs administration, Göran Ekström, reported on the challenges of the Swedish customs, especially on the planned IT upgrade and applications, and said that, in the meantime, 90% of the customs forms were filled out electronically. As regards efficiency, he added that, according to an international ranking, the Swedish customs administration is in fourth place behind Singapore, Denmark and Finland.

The deputy director-general of the tax department, Alf Nilsson, gave a report on the extension and rearrangement of the Swedish customs administration. According to him, Sweden aimed at concentrating the levy of taxes with the government for reasons of efficiency, whereas until now it was assumed among others by the

government and the communities. To the astonishment of the delegates he illustrated that the tax administration was also responsible for the police intelligence and heritance registrations. Since, in Sweden, the information exchange is considerable, especially as regards almost all revenues of the taxpayers, it is possible to dispatch about 7.5 million tax declarations already filled in. The majority of the citizens then accepts these tax declaration proposals.

The heads of the union, Anne Carnhede and Björn Hartvigsson, explained the specific problems of persons employed in the Swedish tax or customs administration, respectively.

During the following official formalities of the committee meeting, Frank Campbell (GB) was elected UFE vice chairman. He succeeds his colleague Mike Duggan (GB) and could prevail against Salvatore Veltri (Italy).

During the discussion of the tax law problems in the committee, the UFE argued for the harmonisation of the basis for tax assessment or of the notions the term "revenues" includes, respectively, since this was urgent for the comparison of the tax burden of the companies and for more transparency. The harmonisation of the bases for assessment would be a first step towards a Europe-wide minimum tax rate for the corporate income tax.

In view of the cross-border turnover tax fraud, which is a Europe-wide phenomenon with gigantic consequences, the UFE calls for urgent action. The EU-wide cross-border transactions every year for example lead to a loss of more than 100 billion euros. In this respect, due to the enlargement of ten countries the "space" for fraud is literally extended. On the basis of an actual report on the EU-wide cooperation in the fight against turnover tax fraud, the competent commissioner Frits Bokstein took the view that the fraud could also be contained without drastic changes of the

system, if the member state worked together more efficiently and if the respective national control regulations were improved. The commission thus opines that more staff must be deployed in order to exhaust legal possibilities.

Therefore, the UFE called on the EU member states to put into action the statement of the commission and to reinforce the staff in the turnover tax audit. The personnel deployed in the turnover tax audit brings in the costs by far and makes sure that the government receives the necessary means to fulfil its obligations. Apart from this, the UFE sees the need for improving the international cooperation in the fight against turnover tax fraud.

The UFE committee also dealt with the problem of the increasing number of illegal employees und thus with tax evasion. In some European countries, the shadow economy assumed alarming proportions of the gross domestic product. That is why, according to UFE chairman Dieter Ondracek, there is no plausible reason why the tax authorities should give away many billion euros of tax money and duties to dishonest citizens every year. Besides, the government would have to increase tax rates, because a big part of the tax payers evades tax payment. This means, that those people who honestly pay their taxes do not only pay their own taxes, but also those of the dishonest people.

For this reason, the UFE calls on the countries in which the shadow economy's proportion of the gross domestic product is especially high to take efficient measures against illegal employment, to conserve thus the means the individual member states and the European Union as such need to fulfil their obligations.

In terms of the so-called EU interest tax and a more resolute approach towards the cross-border tax fraud in the community, the UFE committee called for urgent action. In this regard, the

postponement of the entry into force of the so-called EU interest tax to the 1 July 2005 was not acceptable. Those who steal from the government, steal from the poor, since they take the means from the government with which it could fulfil its obligations. Employees cannot shift their labour force and its remuneration to other countries without paying taxes for it. Capital, to the contrary, does not know any particular "bounds". Therefore it must be ensured that Switzerland and other countries falling under the ambit of the EU interest guideline see to it that the EU interest guideline comes into effect as quickly as possible in order to prevent further tax fraud. Furthermore, the committee calls for including as many returns as possible counting among the interest guideline's scope and for taking countermeasures against distinguishable evasion tendencies in order to thus close loopholes. Otherwise, as UFE chairman Dieter Ondracek underlined, Europe-wide interest taxation that is necessary for the fight against tax fraud was in danger of becoming a withholding tax for the stupid.