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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.10.2008
COM(2008) 623. final

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Final evaluation of the Fiscalis programme 2003-2007 in accordance with Article 15 of Decision 2235/2002/EC of the European Parliament and the Council of 3 December 2002 adopting a Community programme to improve the operation of taxation systems in the internal market (Fiscalis programme 2003-2007)

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1. THE FISCALIS PROGRAMME 2003-2007

The Fiscalis programme 2003-2007 was established by Decision 2235/2002/EC of the European Parliament and of the Council of 3 December 2002. It was the third Community action programme in the field of taxation, and covered the period from 1 January 2003 to 31 December 2007. Participation in the programme was open to the 27 EU Member States, as well as to Croatia and Turkey. The cost of the programme was shared between the European Community and the participating countries.

The programme was aimed at improving the operation of taxation systems in the internal market by increasing cooperation between participating countries, their administrations, and officials. In the area of indirect taxation, and in particular value added tax and excise duties, the programme's objectives were: (*i*) to enable officials to achieve a high common standard of understanding of Community law and of its implementation in Member States; (*ii*) to secure efficient, effective and extensive cooperation among Member States; and (*iii*) to improve administrative procedures. In the area of direct taxation, Fiscalis was intended to support information exchange in the field of mutual assistance and to raise awareness of the applicable Community law. For taxes on insurance premiums the goal was to improve cooperation between Member States, ensuring better application of the existing rules. Finally, the programme had the specific objective of satisfying the special needs of candidate countries so that they could take the necessary measures for accession in the field of tax legislation and administrative capacity.

To achieve its objectives the programme relied primarily on:

- Joint actions, including seminars, project groups, exchanges of officials, multilateral controls, training activities and other actions. Approximately 36% of the Fiscalis budget was spent on joint actions.

- Communication and information-exchange systems, aiming at securing exchange of information through trans-European computerised networks. They included the VAT Information Exchange System (VIES) and a number of other applications used in the VAT, Excise and direct taxation fields. Around 64% of the programme budget was earmarked for IT systems, including the funding of part of the networking platform shared with the Customs 2007 programme (Common Communications Network/Common Systems Interface).

The financial framework for the five years of the programme’s implementation was set at EUR 67.25 million.

2. THE PURPOSE OF THE FINAL EVALUATION

Article 15 of Decision 2235/2002/EC stipulates that "the final evaluation [of the Fiscalis programme 2003-2007] shall assess the effectiveness and efficiency of the programme's activities" in relation to the objectives. The latter's relevance had already been examined at the time of the mid-term evaluation, carried out in 2004-05.

The final evaluation was launched in November 2007 and finalised in June 2008. It covered the entire scheme (2003-2007).

The European Commission commissioned Deloitte to perform the final evaluation of the Fiscalis programme 2003-2007. Four evaluation criteria were examined:

- Effectiveness of Fiscalis in reaching its objectives;
- Efficiency, considering the resources used and the results obtained;
- Utility of the programme results vis-à-vis the needs identified and the resolution of problems;
- Sustainability of the programme results in the medium and long term.

The effectiveness criterion was articulated in seven evaluation questions, reflecting the programme's objectives and instruments. Three further questions were formulated for the other three criteria. The evaluation assessed the effects of Fiscalis in a broad sense, using a mix of qualitative information and quantitative data (where available) to judge its impact and effectiveness.

3. METHODOLOGY

The evaluation focused on both qualitative and quantitative aspects:

- The sources of qualitative information were reports on programme activities (produced by participating countries), interviews with Commission and participating countries' officials, case studies on three selected topics in three participating countries and, to some extent, the web-based survey (see next point).
- The sources of quantitative information were:
    - A comprehensive web-based survey for different recipient profiles (participants in programme activities, national Fiscalis management teams and key national tax officials);
    - Existing reports and data available from the Commission.

The evaluation findings are predominantly based on primary information sources, those providing information directly to the evaluator: interviews, questionnaires collecting the views of respondents, seminar evaluation forms.[1]

4. FINDINGS AND CONCLUSIONS

Transnational tax cooperation activities take place in a specific legal context, at both European and national level. Cooperation between participating countries via Fiscalis activities also took place within this legal context. Consequently, the scope for developing certain Fiscalis activities was subject to legal boundaries (e.g. Directives and Regulations in the fields of administrative cooperation and mutual assistance).

The Fiscalis 2003-2007 objectives were broadly formulated, allowing participating countries and the Commission to propose a wide range of activities and topics. The valuable flexibility of the programme made it possible to take into account the evolution of tax legislation, the evolving needs of participating countries and the priorities set by all parties. This aspect made the activities particularly useful for participants and national administrations. Nevertheless, tax officials expressed the need for even more focused and tailor-made activities.

The evaluation established that the programme reached its overall objective by increasing the cooperation between participating countries, their administrations and officials. Officials effectively and extensively cooperated by implementing and using communication and information-exchange systems. Although there is room for improvement of these systems in terms of speed, data accuracy and reliability, they were successful and vital as a means to connect all national administrations, especially in the field of indirect taxation. The joint actions (i.e. seminars, exchanges of officials, multilateral controls and project groups) fostered "extensive cooperation" on many different subjects, contributing in particular to the "networking" among tax officials. The Commission encouraged the participating countries to increase cooperation (in multilateral controls for instance). Nevertheless, the extent of cooperation largely depends on the participants and their position within the national administrations.

The main area covered by the programme is indirect taxation (VAT and Excise). In this field, the programme encompassed a great many relevant activities. Fewer actions with a direct taxation objective were organised under the programme, but they are increasingly seen as necessary in this field and the number of activities is expected to rise in the future. The programme did not fund activities on insurance premiums taxation because participating countries did not express specific needs in that area.

The activities developed were complementary to each other, and there was a clear logic as to why a certain instrument was chosen to obtain a particular result. The lack of structured reporting on the activities' outcomes in the participating countries has hindered the availability of evidence on the programme results, and thus represents a missed opportunity to organise the follow-up of events. This lack of reporting reduced the programme's visibility within administrations and may explain the somewhat limited support for the programme at senior levels.

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[1] Limited information was available from secondary sources, such as reports by Member States on the results of programme activities (when collected).

Within each participating country, participants had a reporting obligation and some good practices in knowledge-sharing emerged. However, the dissemination of information was limited to a small circle, lacking an overall structured approach to knowledge-sharing.

The countries that joined the EU on 1 May 2004 and on 1 January 2007 were already participating in the programme on an equal footing with the existing Member States before accession. This has been considered as positive by both the old and new Member States.

In conclusion, Fiscalis 2003-2007 was an efficient programme as the formal and informal cooperation created was highly valuable compared to the programme's cost. As regards the informal cooperation, it should be continuously supported by the programme in the future to maintain the existing networks and to extend their scope (on new subjects and with additional national tax officials).

5. RECOMMENDATIONS

- The evaluation recommends that the Commission (EC) and/or the participating countries (PC):
- continue ensuring the flexibility of the programme (EC);
- create a taxonomy of programme activities, linking each type of action to the programme objectives and making information on programme activities and their outputs more accessible to the stakeholders (EC);
- develop performance and result indicators for the programme, in addition to the performance indicators already existing for the communication and information-exchange systems, in order to systematically measure the impact of the programme (EC);
- collect information on actual results in a structured manner and establish an audit trail for the different activities. The use of web-based evaluation and reporting tools should be explored. Additional reporting duties should put as little additional strain on resources as possible (EC/PC);
- improve and structure the information dissemination of the programme outputs (EC);
- raise awareness of senior managers within national administrations by developing specific activities to increase dissemination of information and support the programme's development. Senior managers should be more informed about the possibilities offered by the programme to respond to their needs (EC/PC);
- ensure the sustainability of networks of officials, beyond Fiscalis activities. The use of online collaboration tools (e.g. meetings on the web) should be explored, taking into account the legal constraints for exchange of information (EC);
- continue optimising the communication and information-exchange systems and urge national stakeholders to improve the speed and accuracy of data exchanged. The relation with the joint actions should be strengthened in order to allow Member States to formally express their needs and expectations from the communication and information-exchange systems (EC/PC);

- develop common training modules on taxation topics and continue supporting blended learning (EC/PC);

- encourage the use of multilateral controls by all Member States when appropriate. Multilateral controls are a very important tool, indispensable to effectively control the correct application of Community legislation, to fight fraud and to deal with tax avoidance. Furthermore, they have a strong dissuasive effect on taxpayers who want to abuse the tax system (EC/PC);

- consider developing activities on insurance premium taxes and further stimulate activities on direct taxation (EC/PC);

- continue using the programme to encourage **brainstorming** on existing and prospective issues ahead of the legislative process (EC/PC);

- enhance the Fiscalis **programme identity** and make it a synonym for tax cooperation in the EU. This could include wider use of the Fiscalis logo to identify programme tools, activities and outputs (EC/PC).