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**Annex to the Sixth report under Article 12 of Regulation (EEC, Euratom) n° 1553/89 on  
VAT collection and control procedures**

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Summary of State of Implementation of Report Recommendations		
RECOMMENDATION	RESPONSE/RESULTS	STATE OF IMPLEMENTATION
1. Tax authorities <u>assess the impact on voluntary compliance</u> of the various elements of tax policy (e.g. communication with taxpayers, administrative obligations of taxpayers, controls	20 Member States mentioned specific initiatives while 10 provided general assurance that any initiatives they took were evaluated – only one Member State provided any specific quantitative information.	Member States act to improve voluntary compliance but little evidence that their activity is evaluated (the nub of the recommendation).
2. Member States that do not yet have a VAT control plan should <u>develop such a plan</u>	Altogether 24 Member States responded but few alluded to any changes made since 2003. 6 replied that they had no specific VAT control plan, with only 5 stating they had. The remainder claimed that the elements comprising a VAT control plan was integrated in their overall tax control plans.	Although the action recommended is clear and unambiguous Member State responses do not permit meaningful evaluation as to whether any change has been secured as a result of the recommendation.
3. Member States should <u>increase the quality of the information on taxpayers and economic sectors</u> for a better targeting of controls	16 Member States claimed there had been improvements in the quality of information they had. Often linked to IT making new sources available or allowing the better manipulation and distribution of existing data. Some specified the VAT Information Exchange System (VIES).	The response to our question suggests that Member States are, in the main, improving their information sources.

<p>4. The Commission believes that the <u>control programme should be improved by means of feedback on the implementation</u> of the control plan that also takes qualitative criteria into account and not only the more commonly used quantitative criteria.</p>	<p>8 Member States made no or only very partial replies. 16 provided only a general description of their system (with 2 alluding to changes made since 2003 and a further 2 referring to current preparatory work). The remaining 3 provided some assurance, 1 referring to changes since 2003.</p>	<p>This modest recommendation aimed to ensure Member States were evaluating the success of their control efforts and therefore could make changes and adaptations where necessary. Can conclude from their responses that the majority of Member States can do so.</p>
<p>5. <u>Increase the awareness at central level of the criteria used by the regions when selecting firms for control</u></p>	<p>9 Member States were not taking this action or did not reply. The remainder provided assurance that the central level was aware. Only 3 Member States alluded to particular changes since 2003.</p>	<p>Again we only have evidence that a very small number of Member States have pursued increased awareness since the recommendation was made but have some assurance that the majority consider their arrangements adequate.</p>
<p>6. Those Member States that have still not <u>equipped their auditors with the necessary IT tools</u> and that do not have a <u>specialised IT audit function</u> are recommended to pursue this objective.</p>	<p>All Member States reported some procurement and distribution activity. There is no evidence that any Member States lack specialist IT audit but 5 reported a lack of audit software although using IT tools for the administrative tasks surrounding audits. As to evaluating success 17 made no reply, 4 gave a general assurance and only 6 replied with any vestige of supplementary information.</p>	<p>Member States are extending their use of IT tools in VAT-audit work.</p>
<p>7. Electronic archiving of the control process should be adopted unconditionally by the Member States.</p>	<p>With 3 exceptions all Member States responded that electronic archiving was now in use. Only 4 commented on evaluation activity. A further 4 mentioned obtaining management information.</p>	<p>At first sight response has been good but it is clear that many Member States had already started this process before the Commission recommendation. There is little evidence that they are evaluating their activity – a key component of the recommendation.</p>

<p>8. The <u>structured recording of conducted controls and control results as a contribution to risk analysis</u> should be improved (number of visits, additional tax assessments, tax collected due to controls, etc.).</p>	<p>Scrutiny of the replies received suggested there were 9 Member States which had not yet achieved systems where the results of controls were fed back into the risk analysis process, or where there was doubt that they had done so.</p>	<p>In evaluating Member State replies we merely looked for assurance that there was a way for results data to influence future risk analysis - a minimum requirement for a risk analysis system. We conclude that it is likely that 2/3rds of Member States have achieved this.</p>
<p>9. Member States that do not <u>evaluate the performance of individual control officials</u> should introduce such evaluation.</p>	<p>Only 1 Member State said that they still did not while 3 made no reply. 12 Member States described their standard personnel evaluation procedures. Only 1 Member State reported a special quality measuring exercise. It was also the only State to have evaluated its activity.</p>	<p>This is another instance where the factual outcome underlying the recommendation is in place in nearly all Member States. But there is no evidence that the complementary activity required - that of evaluating success is in place, other than in 1 Member State.</p>
<p>10 To <u>monitor recovery and enforcement more effectively</u>, Member States should develop performance indicators to assess their procedures so that they can be improved where necessary.</p>	<p>6 Member States did not specifically address the question while 1 appeared to have no such indicators. 4 Member States gave a very general description of their systems (in 1 the inference that their system pre-dated the recommendation was clear) while another 9 provided more specific information (3 of which did allude to changes since 2003). The remainder (7) provided general statements of assurance (3 making it clear that their systems were of long-standing).</p>	<p>Although we can draw some assurance from the result that only 1 Member State seems to have no indicators – only 3 appear to have introduced them since the Commission published its recommendation whereas 4 were apparently using such indicators in advance of the recommendation.</p>
<p><u>11. Improve the quality of information on collected and outstanding debts, penalties, and interest</u> and Member States should work to improve the quality of this information and its use in the evaluation of administrative processes.</p>	<p>Only 1 Member State said it was doing nothing although 4 made no reply or no relevant reply. 2 reported preparatory action while 13 gave general assurance of activity and 7 provided descriptive information. Including those doing preparatory work altogether 9 described specific activity since 2003.</p>	<p>About one third of Member States have taken or are about to take such action since the recommendation was made while a quarter have done nothing or have made no report of activity.</p>

