

# ECA: EU Exchange of Tax Data System Yet Insufficient to Prevent Tax Evasion

## News

**Thomas Wahl**

On 26 January 2021, the European Court of Auditors (ECA) published its [Special Report 03/2021 on the exchange of tax information in the EU](#). The underlying tool is the Directive on administrative cooperation in the field of taxation (Directive 2011/16/EU), which has been amended several times in the recent years to widen its scope. The ECA carried out audits in five Member States between 2014 and 2019: Italy, the Netherlands, Poland, Spain and Cyprus. For this purpose, the ECA examined, firstly, how the Commission is monitoring the implementation and performance of the tax information exchange system. Secondly, the ECA looked at how Member States are using the information exchanged and how they are measuring the effectiveness of the system.

The ECA found that the exchange of tax information between Member States was not yet sufficient to ensure fair and effective taxation throughout the internal market. Although the system has been set up in an appropriate manner, there is still a need for action in terms of monitoring, ensuring data quality and using the information received. In particular, the auditors criticise that the information exchanged was often of limited quality. Therefore, the ECA recommends the Commission to extend the scope of the EU legal framework and to strengthen its monitoring activities and guidance. Moreover, Member States should make better use of the information they receive. Gaps in the exchange of tax data in the EU could provide an incentive for tax avoidance and evasion.

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