

# VAT Gap Report 2023: Progress in VAT Compliance



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## News

On 24 October 2023, the Commission released the [2023 report on the VAT gap in the EU](#). The VAT gap refers to the difference between expected value-added tax (VAT) revenue and the actual amount collected. As VAT is an important contributor to both EU and national budgets, it is important to obtain an estimate of the VAT gap. The report relates to the period 2017-2021. It was drafted by a team of experts from the Center for Social Economic Research, Warsaw.

The 2023 report shows that Member States lost around €61 billion in VAT in 2021, a decrease from the €99 billion reported in 2020 and therefore an improvement compared to previous years. This amount represents revenue losses due mainly to such factors as VAT fraud, evasion, avoidance, non-fraudulent bankruptcies, miscalculations, and financial insolvencies.

The report highlights that although some revenue losses are unavoidable, strategic policy measures, in particular those related to the digitization of tax systems, real-time transaction reporting, and electronic invoicing, have had a positive impact. In particular, Italy and Poland reduced their national VAT gap figures significantly, with Italy showing a reduction of 10.7% and Poland a reduction of 7.8%. At the other end of the spectrum, the Netherlands, Finland, Spain, and Estonia reported the smallest gaps, with minimal percentages of -0.2%, 0.4%, 0.8%, and 1.4%, respectively. It is important to note that negative values, such as those observed in the Netherlands, can occur in Member States where non-compliance is already very low, possibly due to statistical and measurement inconsistencies.

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