

**ANNEX 2**  
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**SUBJECT OF REQUEST FOR SERVICES:**

**THE INTERMEDIATE EVALUATION OF THE  
FISCALIS PROGRAMME “2007”**

**FINAL REPORT**

**The European Commission**  
**The Directorate-General for Taxation and Customs**  
**Union**  
**(DG TAXUD)**

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# THE INTERMEDIATE EVALUATION OF THE FISCALIS PROGRAMME “2007”

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## **1 EXECUTIVE SUMMARY**

### **1.1 THE PURPOSE AND AIM OF THE EVALUATION**

The purpose of the work is to provide DG TAXUD with an independent intermediate evaluation of the Fiscalis Programme 2007. The study covers the results and impacts of actions financed and organised by the Programme, but it also addresses impacts of actions financed at national level when they constitute a logical extension of an action of the Fiscalis Programme 2007.

As stated in the Task Specifications, the general objectives of the evaluation of the Fiscalis Programme 2007 are to examine the following:

- First, to what extent the objectives of the Programme were achieved (effectiveness) and, if so, whether they were accomplished at a reasonable cost (efficiency);
- Secondly, if the objectives of the Programme correspond to needs of the national administrations (relevance).

The results of this evaluation will contribute to the review of the Fiscalis Programme 2007 as well as to the creation of the succeeding Programme.

The major stakeholders of the Programme are the Commission, the tax authorities of the Participating Countries and their officials.

### **1.2 WORK UNDERTAKEN DURING THE STUDY**

The work was structured in four work phases: Structuring, Collection of Information, Analysis and Judgment. Over the course of the evaluation, opinions, perceptions and quantitative data were gathered through several data collection methods to facilitate a comparison of the viewpoints of the different stakeholders.

Evidence regarding the functioning of Fiscalis Programme was collected in order to draw out findings and conclusions, and, where appropriate, provide recommendations. Subsequently, face-to-face meetings with approximately 60 stakeholders were undertaken in five Participating Countries.

The evaluation team conducted interviews with Commission officials, Fiscalis National Coordinators, Fiscalis Coordinators, and Fiscalis participants. These interviews were held at the EU and Participating Country levels.

Throughout the evaluation exercise, the evaluation team visited five Participating Countries: the Netherlands, the United Kingdom, Spain, Hungary, and Lithuania. The level of co-operation and appreciation of the

Fiscalis Programme was generally good; however, the breadth and the information attained did vary from country to country.

The scope of the evaluation exercise was influenced by a number of issues, notably the following:

- Although Fiscalis 2007 has to some degree continued the work of the preceding Fiscalis programme, since this is an intermediate evaluation, it focuses principally on short-term and direct effects of Fiscalis 2007.
- The differences in organisational structures between the Participating Countries have resulted in a variation in the depth and breadth of the information gathered. For example, some countries were not able to provide the quantitative data requested because such information is not collected.
- All stakeholder contacts either were or had been part of their national Fiscalis Management Team, which is a potential source of bias. Questioning during the case studies suggested that any bias was unlikely to have been substantial.
- Since only few and incomplete quantitative data exists, the methodological approach for the collection of primary data focused on qualitative information.
- A number of quantitative indicators that had been proposed to the evaluation team proved to require data that was not measurable or did not exist. The development of informative substitute indicators was a main challenge of the evaluation.

The conclusions and recommendations put forward in this report take into account key input from the Logframe and Intervention Logic Analysis, Desk Research, feedback from the Commission Staff and Case Study Interview Programme as well as information attained from E-surveys and Information Requests. To substantiate the results from the analysis, a Telephone Interview Programme was also conducted where clarification or further research was required.

The intermediate evaluation of the Fiscalis Programme addresses the following main subjects:

- Programme objectives and needs of the Participating Countries
- Action Plan and needs of Participating Countries
- Achievement of tax legislation and administrative capacity objectives for New Member States and Candidate Countries
- Achievement of high standard of understanding of Community law with regard to value added tax and excise duties

- Achievement of efficient, effective and extensive cooperation among Member States in value added tax and excise duties
- Improvement of administration procedures to better address the needs of the administrations and the taxpayers by development and diffusion of good practice
- Achievement of objectives of direct taxation activities by information exchange in mutual assistance and applicable Community law
- Communications and information-exchange systems
- Organisational and management procedures
- Achievement of Action Plan objectives at reasonable cost
- Influence of professional skills and linguistic competence of participants

### **1.3 SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS**

This section provides a brief summary of the conclusions and recommendations by Evaluation Question.

#### ***1.3.1 Adequacy of objectives as stated in the Fiscalis Decision***

##### **1.3.1.1 Conclusions**

- The overall objective as stated in the Fiscalis Decision as well as the VAT and excise duties objective continues to be highly relevant to all participants and therefore also relevant to participants' current needs.
- Despite some reservations regarding the direct taxation objective, it is perceived to be relevant to officially stated needs, and also, increasingly, to operational needs.
- The insurance premiums objective does not rank highly, but incorporating issues, which may not be a high priority today, provides Participating Countries, if necessary, the opportunity to undertake action in future.
- The Candidate Country objectives continue to be important both for Candidate Countries and New Member States, as in the case of the latter, they continue to be of importance for their smooth integration.
- The Action Plan seems to enjoy strong support in terms of meeting needs; however, the reality of 28 Participating Countries with different needs and levels of participation means that the actual needs of all national administrations are not always reflected.

##### **1.3.1.2 Recommendations**

- One of the cornerstones of Fiscalis is its flexibility. The Programme should continue to incorporate objectives that allow the Programme to respond readily to current and future needs.

- While there does not appear to be any current need for joint actions in respect of taxes on insurance premiums, the objective has sufficient relevance to national needs and should be retained as part of the Programme.
- In maintaining the relevance of Fiscalis' objectives it is also necessary to regularly monitor Participating Countries' current needs, by examining how the objectives correspond to the daily operational needs of the national administrations.

### **1.3.2 Adequacy of tools and content of Action Plan**

#### **1.3.2.1 Conclusions**

- Both seminars and exchanges respond well to the needs of Participating Countries. Although the use of multilateral controls has varied in recent years, they continue to be regarded as relevant.
- Joint actions such as seminars and exchanges need to be broad and flexible enough to meet a broad range of needs, but at the same time be able to provide the opportunity to focus and structure them, in order to meet specific needs.
- In the case of training, some work is being undertaken; however, there is interest in examining the issue and developing this tool further.
- The Action Plan is flexible enough to incorporate a variety of needs. However, the level of active participation varies, both in proposing actions and also in determining the relevance of actions. Therefore, in some instances the Action Plan has lost focus and may not reflect actual business priorities of Participating Countries.

#### **1.3.2.2 Recommendations**

- Instruments need to be continuously improved to meet current needs. In the case of seminars, it could be beneficial to promote smaller events where a more focused subject could be addressed by relevant Participating Countries.
- Exchanges are divided into tailor made exchanges and exchanges organised in a group. The former seems most appropriate for specific issues; the later is more useful for more general learning. Making a clearer distinction between the two could help better address different needs.
- Training actions have had limited success as they have not been very successful in satisfying the interest that was found to exist and could benefit from a re-examination in order to determine whether improvements can be made to meet the needs of Fiscalis participants.

- In order to ensure the Action Plan reflects business objectives, it is important to further encourage the active participation of all Fiscalis Management Teams.

### **1.3.3 Satisfaction of Programme objectives for New Member States and Candidate Countries**

#### **1.3.3.1 Conclusions**

- Fiscalis provided and provides many benefits to New Member States.
- Added value for Candidate Countries took the form of creating informal contacts as well as a forum to benchmark their own efforts. Although participation in Fiscalis was very helpful, Fiscalis was one instrument in assisting Candidate Countries in the accession process.
- Fiscalis has been very strong in building administrative capacity in regards to Fiscalis' IT applications. Non-IT related aspects were also covered via nine special training events, which were perceived as very successful.
- New special needs of New Member States could be addressed through Fiscalis. These needs could include the implications at national level of decisions of the European Court of Justice, training in administrative practices such as tools for fight against VAT fraud, and the implications of implementing Community taxation legislation through direct transposition adopting detailed rules and exercising options.
- Satisfaction with Fiscalis' contribution to building administrative capacity in relation to understanding and applying Community law has not been strong. As this is not Fiscalis' role, it indicates that stakeholders were not clear about the role of Fiscalis in relation to understanding and applying Community law during the accession process. This is not a difficulty with Fiscalis itself, rather a problem in communicating the distinctions between the goals and objectives of Fiscalis and other accession instruments such as Twinning, TAIEX or PHARE.

#### **1.3.3.2 Recommendations**

- It would be beneficial to further examine whether there are unmet or new special needs of the New Member States and the remaining Candidate Countries that Fiscalis can address.
- Coordinating the use of Fiscalis with those of other accession instruments could help to better cover the special needs of Accession Countries in the area of taxation.
- In light of the success of the activities for Candidate Countries, consideration should be given to preparing a handbook or a catalogue on activities in order to record best practices from recent experiences for future use.

- Consideration should be given as to whether the success of the activities offered to the Candidate Countries can provide useful feedback for the wider training development activities of Fiscalis.

#### **1.3.4 Extent of level of understanding of Community law (VAT and excise duties)**

##### **1.3.4.1 Conclusions**

- Fiscalis has contributed to improve awareness and knowledge of Community law, however, it is often 'patchy' within national administrations, meaning that awareness levels often differ among relevant tax administration officials.
- The principle of seminars being open to all Participating Countries is valuable for their effectiveness; however, due to the increase in the number of Participating Countries and the varying needs of participants, it appears that there are instances, where this can conflict with the effectiveness of seminars.
- Both tailor made exchanges and exchanges organised in a group have advantages and can be used to meet the different needs of participants. Making exchanges effective involves careful planning and follow up, which includes the setting of clear objectives and the use of effective follow up and dissemination mechanisms.
- Information is in general disseminated effectively; however, it is clear that the depth and breadth of dissemination varies greatly. Dissemination vehicles include for example, intranets, internal circulation of reports prepared by seminar participants, special presentations and training sessions.
- Participating Countries consider the level of training activities to have been very low, but there was a widespread view that there is potential for improvement.
- There are opportunities for the Commission to offer additional strategic direction in the area of training aspects of Fiscalis 2007 to address the lack of proposals regarding national training needs and requirements both on the part of the Commission and Participating Countries. Training is a significant element of many of the other activities under Fiscalis, particularly many seminars and exchanges.
- The areas in which the opening of training courses is found tend to be areas more concerned with administrative practices than with applicable legal provisions.

#### **1.3.4.2 Recommendations**

- Some Participating Countries may already have a high degree of awareness of Community law at certain levels. Fiscalis should certainly contribute to broadening and deepening this understanding.
- In regards to seminars and exchanges, it should be possible to develop approaches that would permit seminars to be targeted at groups of countries, subject to a requirement of appropriate follow-up activities i.e. reports or other group seminars.
- It would be helpful to clarify the role of exchanges organised in a group by designating them as “training exchanges”. An appropriate further step would be to integrate such training exchanges into the training (development) activities of Fiscalis, to ensure that these exchanges are used to cover suitable topics, and to enable best practices for such exchanges to be developed and disseminated.’
- Consideration should be given as to whether support can be provided under Fiscalis to Participating Countries that are trying to improve their internal processes of dissemination, without needing to imply any requirements as to the form or extent of dissemination appropriate in each country.
- It might also be helpful if, as part of the management framework of Fiscalis, Participating Countries could be asked to confirm that steps had been taken to disseminate results, without, however, needing to imply any requirements as to the form or extent of dissemination appropriate in each country.
- There is the need to either reform the process for common training or acknowledge that this should be a lower priority for Fiscalis. It could also prove useful to host a seminar for all heads of training to assess the situation.

#### **1.3.5 Efficiency, effectiveness and extent of cooperation among Member States (VAT and excise duties)**

##### **1.3.5.1 Conclusions**

- Fiscalis is only one of the vehicles available to enhance cooperation, however, Fiscalis National Coordinators and Fiscalis Coordinators believe that Fiscalis has been very important in enhancing cooperation.
- Qualitatively multilateral controls enhance cooperation and are of importance. However there is still further room for intensifying their use.
- It is relatively easy to provide VIES access to those officials who need it.

- There is general satisfaction with VIES and a notion that SEED is useful. There is also agreement that MVS provides an effective means of information exchange. There is some concern about the accuracy and the quality of information that is being input to these systems.
- The procedures to be established for the implementation of EMCS will provide an opportunity to address concerns about the effectiveness of the existing systems.
- Definite conclusions are difficult to reach, however it is suggested that both the IT and non-IT tools for mutual assistance and administrative cooperation are contributing positively to the enhancement of cooperation.

#### **1.3.5.2 Recommendations**

- The difficulty of identifying and collecting quantitative information suggests that it is necessary to develop indicators and to monitor them on a regular basis (see Section 5.2 for further detail on monitoring and evaluation)
- Increasing the use of multilateral controls may be achieved by further enhancing the appreciation of their usefulness.
- It could be useful to draw attention to successful cases and use them to communicate the value of such Fiscalis tools, as for example MLCs, during senior management conferences in order to increase the effective use of Fiscalis joint actions.
- In order to facilitate the use of the senior management conferences, a definition of “senior manager” should be developed to refer to senior officials in each tax administration responsible for ownership of the administration’s participation in the Fiscalis Programme.

#### **1.3.6 Extent of continued improvement of administrative procedures**

##### **1.3.6.1 Conclusions**

- There was widespread agreement that information and knowledge attained during Fiscalis activities led to the dissemination of good practices. The degree of dissemination varies.
- Although it is difficult to meet the immediate priorities of 28 countries, there seems to be a problem of priority setting. For example, topics of activities do not always reflect immediate national priorities and are not given much importance.
- Many participants are satisfied that Fiscalis has improved tax administrative procedures and practices. However, it seems that improvements are often limited to those resulting from the actions of individuals and their own sphere of influence.

- Determining the level of integration of best practices into national administrations is challenging, due to a lack of qualitative and quantitative indicators. Impressions from stakeholders suggest a 'patchy' integration level of best practices.
- Many improvements in administrative procedures and practices are based on the benefits of personal networks developed during and after joint actions.
- There is a high degree of satisfaction with the work done by the Project Groups. In particular, they provide a useful means of benchmarking different approaches.
- The IT systems most recently developed under Fiscalis, VIES on the Internet and VAT E-services, are actively used. Moreover, the accuracy of the information provided by VIES on the Internet is widely recognised.
- VIES on the Internet, developed under Fiscalis, appears very likely to reduce the burdens on both administrations and taxpayers. However, it was not possible to measure precisely the extent of the reduction of the administrative burden on taxpayers.

#### **1.3.6.2 Recommendations**

- Providing more structure and support to the national administrations for effective dissemination would further support the dissemination of information and good administrative practice.
- It is important to continuously promote a high degree of ownership at the senior level, possibly by hosting high level seminars.
- A pragmatic approach to promoting dissemination could be the development of a guide for the dissemination of best practices of administrative procedures.
- The lack of agreed qualitative as well as quantitative indicators and judgment criteria needs to be addressed. Developing a Project Group to do so could be a possible way forward.

#### **1.3.7 Extent to which activities in direct taxation achieved objectives**

##### **1.3.7.1 Conclusions**

- A very limited number of activities have been undertaken in the area of direct taxation. However, although some stakeholders are reluctant, other would like to see more work in this area.

- There is a gap between the perceived relevance of the direct taxation objective and measurable results, possibly indicating interest in future activity.
- Three actions in direct taxation were implemented in 2003 and only two actions in 2004, 2003 being the first year of the present Fiscalis Programme. This figure is, therefore, not necessarily indicative of the underlying demand for joint actions in the area of direct taxation.
- It is not possible to make a direct link between the Fiscalis activities and the number of mutual assistance requests in direct taxation.

#### **1.3.7.2 Recommendations**

- There is common interest in this area and joint actions could be promoted, based on further information about the priorities of Participating Countries.
- Results measurement remains a pending issue which should be addressed in the short term to capitalise the benefits of information exchange in mutual assistance and applicable Community law.

#### **1.3.8 Extent to which communications and information-exchange systems are operational**

##### **1.3.8.1 Conclusions**

- The existing IT systems are operated to a high standard of interconnectivity and interoperability. The existing IT systems also meet their technical specifications.
- Levels of integration of the IT systems appear to vary greatly. Participating Countries have to balance their reactions to the requirements of developments in the Community IT systems with the needs and standards of their own IT systems. The operation of the Fiscalis-funded IT systems will be compromised on the introduction of new developments, if Participating Countries are unable to make arrangements to implement the new developments in line with agreed schedules.

##### **1.3.8.2 Recommendations**

- The implementation of VIES II Feasibility Study conclusions as currently proposed includes elements that are dependent on the adoption of substantive VAT legislation, but the upgrade also includes a number of other important improvements. Consideration should be given to the appropriate strategy to be adopted if the progress of the substantive legislation is slow, such as proceeding to implement the other aspects of VIES II.
- Simple structures for IT systems that are easy to adapt in order to accommodate new developments should be a criterion used in developing Community taxation IT systems.

### ***1.3.9 Extent to which organisational/ management procedures help achieving objectives***

#### **1.3.9.1 Conclusions**

- It appears that there has been an overall reduction in the administrative burden under the new management framework, but the reduction has not been felt by all countries, as there has also been an increase in activity.
- The quality of overall management of the Fiscalis 2007 Programme under the new focus of objective-based management is good. It may be possible to improve it further.
- The relationships between the Fiscalis Committee and the other committees appear to be good. However, the structure of responsibilities of the various committees operating in the field of indirect taxation appears complex.
- The limited role of the Fiscalis Committee in relation to the IT systems could be construed as either superfluous or as not taking full advantage of a committee that is in a position to take a view on all the IT systems in the tax administration field. However, the evaluation found no evidence that the complex committee structure in this area caused any practical problems in the funding, design or operation of the IT systems.
- While the procedures for the follow up of joint actions that are currently in place meet the expectations of Participating Countries, it is difficult to determine whether these expectations reflect the degree to which actions have fulfilled the particular objectives set for them.
- The procedures for hosting activities appear to be very good. The funding procedure for hosting activities was not questioned, but a number of countries noted the burden on human resources.

#### **1.3.9.2 Recommendations**

- National concerns about the burdens imposed by the new management procedures should be addressed by ensuring that the management procedures are clearly communicated, or, if necessary, revised.
- While the procedures for the follow up of joint actions that are currently in place meet the expectations of Participating Countries, it would be advisable to review the procedures to ensure that there is the capacity to monitor more fully the extent to which activities have actually fulfilled the particular objectives set for them.
- Despite the complexity of the structure of committees in the field of tax administration, there does not appear to be a present need to change the role of the Fiscalis Committee. Although recommending the simplification of the committee system does not lie within the immediate scope of this

evaluation, the role of the Fiscalis Committee should be taken into careful consideration in any revision of the Comitology structure. Additionally, in the short term the structure could be further defined and communicated to participants of these Committees.

- If any future Fiscalis Programme were to have funding responsibility for the IT systems, consideration should be given to extending that responsibility to the EMCS system.
- Consideration should be given to whether there are any other steps that could be taken to alleviate the burden of organising activities. Such steps might mean revisions to the Management Handbook or additional written guidance to Participating Countries.

### **1.3.10 Extent to which the Action Plan objectives were achieved at reasonable costs**

#### **1.3.10.1 Conclusions**

- The overall perception of Fiscalis Coordinators is that financial and human resources are used well and in an efficient manner. The participation in Fiscalis activities is also perceived as a good use of time and good value for money.
- Seminars appear to be a good use of time and good value for money. Exchanges, particularly exchanges organised in a group, are sometimes perceived as being too long, and can have less clear outputs. Project Groups appear to be efficient and are reported to have a high standard of organisation.
- A general concern involves the flexibility of the financial arrangements for joint actions. *Seminars*: There is a clear difference in the cost of living between national capitals and outlying regions. This has resulted in increased travel costs within the country. *Project Groups*: Funding per Participating Country was at times too limited to permit the attendance of experts needed for the discussion of specialised technical issues.
- Even though all financial data were provided, it was very difficult to obtain quantitative data on human resources in order to calculate cost efficiency of joint actions (one of the main difficulties being a lack of figures for the purpose of benchmarking).
- There is widespread satisfaction with seminars and it seems that the cost per participant for seminars is the lowest among all joint actions. In comparison, there seems to be a relatively high cost for exchanges
- MVS and EWSE information is updated on a timely basis and provides accurate data. MVS seems to be a more effective tool to detect irregularity than EWSE.

- It is suggested that VIES is good value for money, even if the accuracy of information can be further improved. The contemplated VIES II foresees to integrate a specific shutter on the “Quality of Data”.
- There does not seem to have been any major changes in staffing between 2003 and 2004. Furthermore, there does not seem to be a distinct relationship between staffing levels and the size of a country. The typical numbers of staff involved in operation and development of VAT applications (VIES) within a Participating Country seem to be in the range of 3 to 7 persons, devoting roughly half of the time to this work.

### **1.3.10.2 Recommendations**

- Although indicators exist, it is strongly recommended that these be reviewed and that ex ante indicators for follow-up (monitoring) processes be developed, and that a final evaluation based on the first baseline data gathered through this exercise be conducted. Taking the subsidiarity principle into account, there is still a need to understand the costs and justification for joint actions.
- The flexibility of financial arrangements for per diem to fund external experts for joint actions should be taken into consideration, it is noted however, that changes would be linked to the entire Commission per diem system.

### **1.3.11 Extent to which professional and linguistic competence influences effective participation**

#### **1.3.11.1 Conclusions**

- While linguistic skills have been an issue since the Matthäeus Programme, the situation has been steadily improving. However, a trade off between language and professional skills continues to be observed.
- There is little indication that linguistic and professional skills limit effective participation in the joint actions, but there is, at times, a trade-off between linguistic and professional skills.
- While ensuring that participants have sufficient language and professional skills is important, it is not always possible to provide the correct balance.

#### **1.3.11.2 Recommendations**

- In bridging the language gap, many seminars are equipped with interpreters, continuing this practice and encouraging the improvement of linguistic skills are important. The glossary has been helpful in this respect but could be further developed into E-learning activities.
- Running joint activities in smaller groups can facilitate the interaction between individuals with similar language and professional skills.

- The selection process of participants needs to be monitored both by the host countries and Participating Countries, to ensure that the most qualified people attend relevant actions.

#### **1.4 ACKNOWLEDGEMENTS**

The TEEC team wishes to express its appreciation to all those who have contributed to the intermediate evaluation of the Fiscalis Programme. To officials at DG TAXUD and members of the Steering Group Committee for their overall project direction and for providing many useful insights and great assistance on the technical aspects of the Fiscalis Programme, and to representatives of National Authorities, who brought remarkable evidence from the field to the evaluation in face-to-face and telephone interviews, questionnaire responses, discussion groups and meetings.

## **2 OBJECTIVES OF THE EVALUATION SERVICES AND WORKPLAN**

This section summarises the legal basis, the scope, aims and objectives, as well as the evaluative questions and the work plan of the services requested.

### **2.1 LEGAL BASIS OF THE EVALUATION**

Under the terms of Article 15 par. 2 of the Fiscalis Decision, the Programme has to be the subject of an intermediate evaluation under the responsibility of the Commission, by means of follow-up reports and reports drawn up by the Participating Countries. The Commission will submit to the European Parliament and to the Council by 30 June 2005 [(Article 15 (4)(a))] an intermediate evaluation report on the effectiveness and the efficiency of the Programme, as well as a report on the advisability of continuing the Programme, accompanied, if necessary, by a suitable proposal. This report is also to be forwarded for the purpose of information to the Economic and Social Committee and to the Committee of the Regions.

### **2.2 AIM AND OBJECTIVES OF THE EVALUATION**

As stated in the Task Specifications, the general objectives of the intermediate evaluation of the Fiscalis Programme 2007 are to examine:

- Firstly, to what extent the objectives of the Programme were achieved (effectiveness) and if so, whether they were done at a reasonable cost (efficiency);
- Secondly, if the objectives of the Programme correspond to needs of the national administrations (relevance).

The results of this evaluation should be able to contribute to the review of the Fiscalis Programme 2007 and to work on the creation of the succeeding Programme.

The stakeholders of the Programme are the Commission, the tax authorities of the Member States and their officials.

## 2.3 EVALUATION QUESTIONS

As requested in the Task Specification the evaluation team refined the original Evaluation Questions. The following questions are the agreed Evaluation Questions used in this evaluation.

1. To what extent do the objectives of the Programme as specified in the Decision adopting the Programme still correspond to the needs of the participating national tax authorities? Which are the most relevant objectives?
2. How well did the chosen tools and content stated in the annual Action Plan address the needs of the Participating Countries?
3. To what extent has the Programme achieved its objectives set out for the new Member States and the Candidate Countries in terms of tax legislation and administrative capacity?
4. To what extent has the Programme helped officials to achieve a high standard of understanding of Community law (and its implementation in Member States) with regard to value added tax and excise duties as intended?
5. To what extent has the Programme helped to secure efficient, effective and extensive cooperation among Member States in respect of value added tax and excise duties?
6. To what extent has the Programme helped to ensure the continuing improvement of administration procedures so as to better take into account the needs of the administrations and the taxpayers, by the development and the diffusion of good administrative practices?
7. To what extent have the activities in direct taxation achieved their objectives, i.e. supporting information exchange in the field of mutual assistance and raising awareness of applicable Community law?
8. To what extent has the Programme helped to ensure that the listed communications and information-exchange systems are operational?
9. In what way have the existing organisational / management procedures helped or hindered in achieving the objectives of the Programme?
10. To what extent have the Action Plan objectives been achieved at reasonable costs?
11. To what extent do the professional skills and linguistic competence of officials participating in the Programme influence effective participation? (This question is a second level question and where possible the evaluation will examine this issue.)

*(For further detail on the Evaluation Questions, the Judgment Criteria and Indicators used in this evaluation, please view Appendix 6.)*

### **3 FISCALIS PROGRAMME CONTEXT**

This section provides an overview of the context in which the Fiscalis Programme operates, by reviewing the legal basis, objectives and policy context, as well as the Fiscalis activities.

#### **3.1 LEGAL BASIS FOR FISCALIS**

The Fiscalis Programme 2003-2007 (or 'Fiscalis 2007') was established by a Decision of the Council and the Parliament in 2002 (Decision 2235/2002/EC<sup>1</sup>) as the successor to the first Fiscalis Programme, which was in operation from 1998 to 2002. That Programme in turn had been preceded by the Matthäus-Tax Programme which began in 1993, providing vocational training for indirect taxation officials (VAT and excise duties).

#### **3.2 OBJECTIVES**

The overall objective comprises three elements: to improve the functioning of the taxation systems – in the internal market – by increasing co-operation between Participating Countries, their administrations and officials.

The overall objective is implemented through a set of specific objectives addressing the three groups of taxes within the scope of the Programme: VAT and excise duties, direct taxes, and taxes on insurance premiums. Direct taxes, taxes on insurance premiums were newly included within the scope in Fiscalis 2007. The specific objectives are:

“(a) for value added tax and excise duties:

- (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;
- (iii) to ensure the continuing improvement of administration procedures to take account of the needs of administrations and taxpayers through the development and dissemination of good administrative practice;

“(b) for direct taxation:

to provide support for information exchange in the field of mutual assistance and to raise awareness of Community law applicable in the field of direct taxation;

“(c) for taxes on insurance premiums:

to improve cooperation between Member States, ensuring better application of the existing rules;

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<sup>1</sup> As amended by Decision 787/2004/EC and Council Regulation 885/2004/EC.

“(d) for the Candidate Countries:  
to meet the special needs of Candidate Countries so that they take the necessary measures for accession in the field of tax legislation and administrative capacity.”<sup>2</sup>

The Fiscalis Programme is designed to fulfil its objectives through two broad approaches.

On the one hand, the Programme provides financing and support for the operation of a number of communication and information-exchange systems (IT systems): both electronic databases of information used in tax administration and communications networks used to support the databases. The databases include the VAT Information Exchange System (VIES), under which national tax administrations are able to obtain information held electronically directly from other Member States, related VAT systems including the VIES on the Internet, and a number of excise duty systems, as well as the CCN/CSI communications network.

On the other hand, the Programme finances and manages a set of joint actions designed to improve the quality of tax administration undertaken by the Participating Countries, and to foster cooperation between national tax administrations.

The role of the Programme, as a Community activity, is to assist the Participating Countries by providing coordination for the activities undertaken, as well as an infrastructure (first of all in the form of financing) and the necessary stimulus. As a result, the activities of the Programme meet the requirements of the principles of subsidiarity and proportionality of Article 5 of the EC Treaty.<sup>3</sup>

### **3.3 POLICY CONTEXT**

The Fiscalis Programme operates within the wider context of European Union tax policy. For example, in 2001 the Commission identified the following the objectives of EU tax policy:<sup>4</sup>

- ♦ to support the exercise of the freedoms of movement by focusing on the removal of tax obstacles to their exercise, by rendering tax systems simpler and more transparent, and by addressing harmful tax competition;

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<sup>2</sup> Decision 2235/2002/EC, article 3(2).

<sup>3</sup> See Recital (9) in the preamble to Decision 2235/2002/EC.

<sup>4</sup> Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee: Tax policy in the European Union – Priorities for the years ahead, COM (2001) 260 final, 23.5.2001, sec. 2.3.

- ♦ to improve the efficiency of markets through the removal of tax obstacles and distortions, the elimination of inefficiencies in the operation of tax systems, and the simplification of tax systems; and
- ♦ to ensure more efficient tax collection.

The Fiscalis Programme is just one means used to support such objectives. The activities of the Programme are described as supporting three general goals for the taxation systems of the EU:<sup>5</sup>

- ♦ protecting national and Community financial interests through combating tax evasion (fight against tax fraud) and avoidance,
- ♦ avoiding distortions of competition, and
- ♦ reducing burdens on both tax administrations and taxpayers.

The evaluation of Fiscalis is made more complicated by the fact that the Programme is only one tool of EU tax policy, so it is important to try to identify the extent to which improvements towards objectives can be properly attributed to Fiscalis.

### **3.4 LEGAL CONTEXT**

The Fiscalis Programme performs these functions within the wider context of the European Union legislation on taxation.

The IT systems financed by Fiscalis operate under separate legal bases, although Fiscalis generally provides a legal basis for the role of the Commission in supporting the system. The legal basis for VIES and E-services is to be found in the VAT Administrative Cooperation Regulation (1798/2003/EC). Prior to 2004, the legal basis for VIES was Regulation 218/92/EEC which was temporarily amended by Regulation 792/2002/EC, as it follows the introduction of the e-services special scheme. The legal basis for SEED and MVS are currently to be found in the directive on general arrangements for excise duties, Directive 92/12/EEC.<sup>6</sup> The common communications network/common systems interface (CCN/CSI) is financed partly through the Fiscalis 2007 Programme and partly through the Customs 2007 Programme.<sup>7</sup> The Fiscalis 2007 Decision and the Customs 2007 Decision currently provide the legal basis for CCN/CSI, and Regulation 218/92/EEC required the Commission to make certain further developments

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<sup>5</sup> See Recital (1) in the preamble to Decision 2235/2002/EC.

<sup>6</sup> The new Excise Movement Control System (EMCS), currently being introduced, is being financed outside Fiscalis under Decision 1152/2003/EC. The legal basis for the implementation of EMCS, Regulation 2073/2004/EC will enter into force on 1 July 2005.

<sup>7</sup> See the Customs 2007 Decision (253/2003/EC), Article 5(1) (a).

to CCN/CSI.<sup>8</sup> The use of CCN/CSI for the exchange of information depends on the legal bases for the respective exchange of information IT systems.

The other Fiscalis activities are influenced by the extent of the Community legislation relating to each of the taxes involved and to the administration of those taxes. The greatest level of harmonisation is to be found in respect of VAT and excise duties for which the principal legislation is the Sixth Directive on VAT (77/388/EEC) and the directive setting out the general arrangements for all excise duties, Directive 92/12/EEC. For these taxes the specific objectives of Fiscalis are correspondingly detailed.

There is relatively little Community legislation in respect of direct taxation (income taxes, corporation taxes and taxes on capital), and the objectives of Fiscalis in this area are correspondingly limited to raising awareness of Community law and supporting information exchange. Activities in the field of direct taxation were first added to the scope of the Fiscalis Programme 2003-2007. Taxes on insurance premiums were also added to Fiscalis 2003-2007, but the activities in Fiscalis concerning such taxes have to date been minimal.

Community legislation providing for mutual assistance or administrative cooperation between national tax administrations is longer established. It has recently been strengthened and reorganised. Changes relating to VAT came into effect at the beginning 1994, and changes relating to the other taxes covered by Fiscalis came into effect at the beginning of 2005 (further changes relating to excise duties will come into effect in July 2005, outside the scope of this evaluation), since most of these changes are only just coming into effect, they will have only a limited impact on this intermediate evaluation.

The Participating Countries in the Programme include the Candidate Countries (Bulgaria, Romania and Turkey) as well as the twenty-five Member States. The terms of the participation of the Candidate Countries, including their financial contributions, are set forth in a brief Memorandum of Understanding between the Community and each Candidate Country.<sup>9</sup>

### **3.5 FISCALIS ACTIVITIES**

In achieving its objectives the Fiscalis Programme provides both financing and a framework for joint actions by the Participating Countries and the Commission. In respect of the IT systems, Fiscalis funds the Community components of the systems, but the operation by the Participating Countries

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<sup>8</sup> Regulation 218/92/EEC, article 13(1). This requirement is now continued in Regulation 1798/2003/EC, article 39. The original legal basis for CCN/CSI was Council Decision 95/468/EC, establishing the IDA Programme ('interchange of data between administrations').

<sup>9</sup> The Memoranda of Understanding are published on the Commission's website at [http://europa.eu.int/comm/enlargement/pas/ocp/programmes/memoranda\\_of\\_understanding.htm](http://europa.eu.int/comm/enlargement/pas/ocp/programmes/memoranda_of_understanding.htm).

of the systems covered by the Fiscalis Decision is supported by the cooperative efforts of the Commission and national officials. About 60 to 70 percent of the Fiscalis budget is devoted to the IT systems. (For a detailed breakdown of Fiscalis' budget, please go to Appendix 1.)

The most numerous activities undertaken are seminars and exchanges of officials, but the other activities, such as Project Groups, multilateral controls and the development of training programmes are also important. In terms of participants it is understood that there is a gender balance of roughly 45% women and 55% men.

In the joint actions the Commission staff plays a supportive role however, we understand that the Commission staff has played an important administrative role in a number of the Project Groups. The activities are organised by the Member States with input from the Commission and after approval through the Fiscalis Committee.

Another element of the Programme has been support for the Candidate Countries (and, following the accession of ten of the Candidate Countries, for the new Member States) in assisting them to adapt their administrative and control systems to the internal market and to adapt their tax systems to the *aquis communautaire*.

### **3.6 ADMINISTRATIVE CONTEXT**

Management of the Programme is based around the annual Action Plan, which is to be established pursuant to Article 3(3) of the Fiscalis 2007 Decision. The Action Plan is approved under the Fiscalis Committee procedure. Under the Comitology Decision (1999/468/EC) the Fiscalis Committee operates under the management procedure. Strictly speaking it gives opinions on measures, including the Action Plan, proposed by the Commission. Given the nature of the Fiscalis Programme, a significant proportion of the proposals in the Action Plan originate with the Participating Countries.

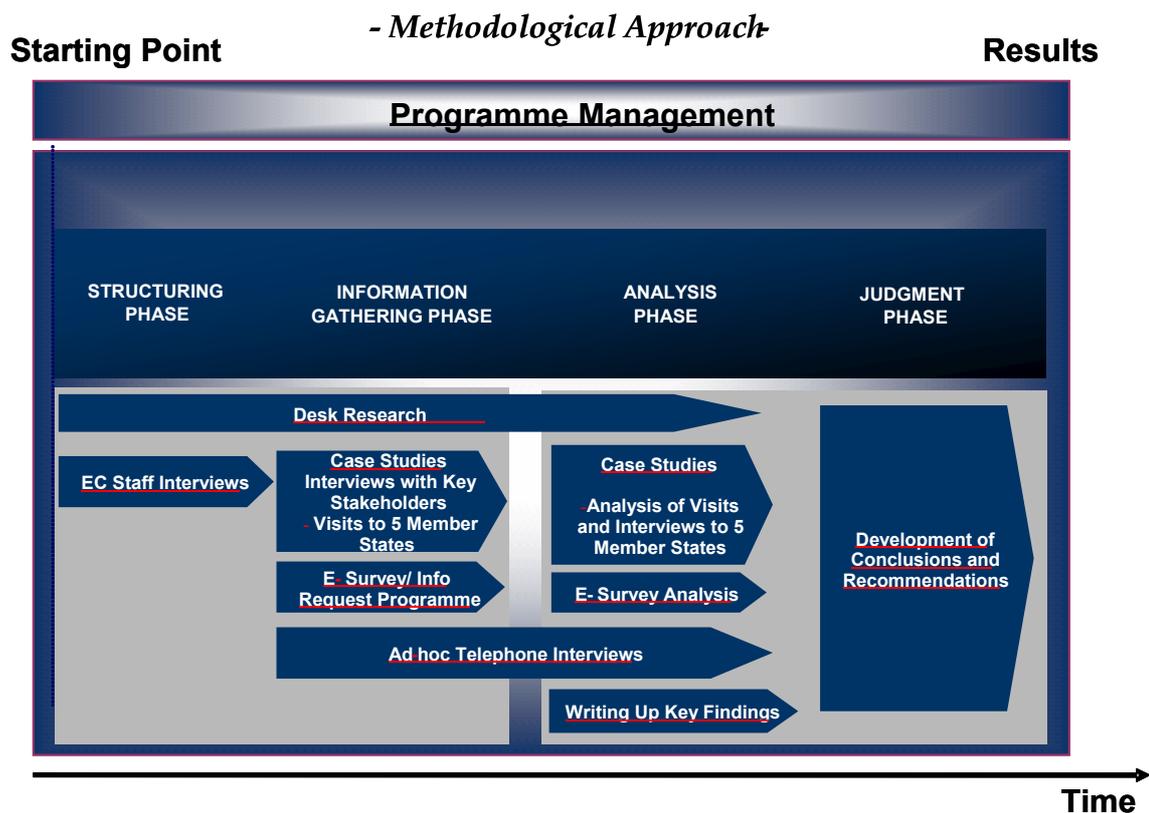
The Participating Countries designate a team (usually more than one person) responsible for managing their participation in the Programme. Different countries use different terminologies to describe their team. In the context of this evaluation the widely accepted usage has been followed for referring to the officials in charge of the team as Fiscalis National Coordinators (some countries have more than one, e.g. one for direct taxation and one for indirect taxation), and to an official in charge of a particular type of activities or of activities in a particular field, or organising a particular activity, as a Fiscalis Coordinator. Depending on the size of the team, there may be a number of Fiscalis Coordinators.

## 4 EVALUATION APPROACH AND METHODOLOGY

The proposed approach included the identification of the objectives, the proposed methodology, the work plan and the timetable.

### 4.1 OVERVIEW OF THE METHODOLOGY

A high level overview of the evaluation activities by phase is presented in the following diagram.



The work programme and methodology included four work phases: Structuring, Collection of Information, Analysis and Judgment. Key features of the evaluation approach included:

- ◆ Use of **Logframe** high level approach to develop the Fiscalis Programme intervention logic and linkages to DG TAXUD activities.
- ◆ A significant **Desk Research Programme** and **EC Staff Interview Programme** to ensure efficient collection of information building a strong baseline of understanding of key terms and indicators as well as to validate the scope and direction of the study.
- ◆ A second **Desk Research Programme** to build on the research undertaken during the first Phase of the evaluation, collecting further quantitative and qualitative information.

- ◆ **An E-survey Programme** to address key stakeholders in the Participating Countries.
  - A **(Questionnaire) Survey Programme** of stakeholders (validated with the Steering Group) during the second phase in order to build on the Key Stakeholders Interview Programme. Questionnaires were customised according to **stakeholder group (i.e. Fiscalis National Coordinator, National Coordinator and Participants)**. The questionnaire for Participating Countries was sent to the Fiscalis National Coordinators of **all** the Participating Countries.
  - An **Information Request Programme** to assemble quantitative information and supplement the qualitative information collected via the Survey Programme. Two information request forms were developed, one for DG Taxud and one for Participating Countries.
  
- ◆ A **Case-Study Programme** of five Member States (Member States were selected and validated with relevant EC officials during the Structuring Phase of the evaluation study). This permitted evaluators to solicit feedback on complex and sensitive issues, and view activities and results 'on the ground'.
  
- ◆ A **Telephone Interview Programme with Key Stakeholders** at the National Authorities level to help the evaluators understand the implementation context. It also allowed the evaluation team to follow up the Stakeholders Interview Programme and Survey Programme.

## 4.2 LIMITATIONS TO THE EVALUATION

This section summarizes the difficulties encountered by the evaluation team during the evaluation and sets out some of the limitations.

### *Intermediate Evaluation Focus*

Although Fiscalis 2007 has had a predecessor which was similar in nature, the evaluation scope is on Fiscalis 2007 which commenced in 2003. Therefore, during the information gathering phase, the evaluation team focused on events (for example seminars) that were conducted under Fiscalis 2007. As this is an intermediate evaluation it focuses the research in the short-term and direct effects and does not focus on insights into longer-term effects, or impacts.

Despite this, the evaluation team has found it helpful and appropriate to include certain impressions received during the data collection phase, which strictly speaking, do not cover Fiscalis 2007.

### *Organisational Structure in Participating Countries*

The different structures in each Participating Country has had an impact on the type of stakeholders interviewed, which has meant that comparisons between countries is only possible in an irregular manner. This difference in structures has resulted in a variation, in terms of depth and breadth of feedback, in the information gathered.

### *Expectations and Scope Management*

The complexity of the scope of the Fiscalis Programme itself, and therefore also the scope of the evaluation required extensive consultation with the Steering Group. This consultation focused on the refinement of the Evaluation Questions, the questionnaires as well as the information requests. Although this led to general agreement of all parties involved, it did mean that the preparation and finalisation of the questionnaires and information request took more time than initially planned.

### *Information Gathering*

Face-to-face interviews are time consuming and only a limited number can be undertaken, determining the best representativity is therefore not always easy. However, E-surveys and information requests have assisted the evaluation team in reaching a wide range of stakeholders. The setting of targets and the form in which the information gathering was to be collected were undertaken with support of the Steering Group as well as the Commission and Fiscalis National Coordinators.

It should be noted that the contacts for interviews with stakeholders were provided by the national Fiscalis Management Teams (apart from the Commission representatives). The stakeholder contacts were all individuals who either were or had been part of their national Fiscalis Management Team. This may have given the evaluation a bias in favour of the Programme. However, the case studies gave the evaluation team an opportunity to explore the positions of a range of officials in some depth, which supports the conclusion that any bias was unlikely to have been substantial.

### *Type of Information*

The methodological approach for the collection of primary data focused on qualitative information; as such information offers the advantage of extended interviewing and adaptation to individual conditions.

Quantitative information was also collected in order to establish baselines and to address several of the Evaluation Questions. However, only few and incomplete quantitative data exists, therefore making the focus on qualitative data necessary.

### *Indicators*

For the purpose of this evaluation, judgment criteria and indicators were developed in order to address the agreed Evaluation Questions. In doing so the evaluation team attempted to use a number of indicators set out in the Memo: "Methodological aspects of the evaluation of the Fiscalis Programme



## **5 KEY FINDINGS – CONCLUSIONS & RECOMMENDATIONS**

This section summarises the key findings of the evaluation study and presents them in the form of conclusions. The evaluation formulates conclusions and recommendations for the Fiscalis Programme. The reporting structure is in line with the aims set out in the terms of reference and further adjustments done to the Evaluation Questions:

Based on the perceptions gathered through interviews with stakeholders and examination of the background documentation provided by the Commission, the evaluation study applied the judgment criteria in addressing the Evaluation Questions.

### **5.1 GENERAL CONCLUSIONS**

The evaluation has shown that Fiscalis 2007 enjoys broad support from its stakeholders, both in the Commission and in national tax administrations. Its activities and objectives are considered to be highly relevant to Participating Country tax administrations. Stakeholders are generally of the view that the Programme makes positive contributions to achieving its specific objectives, both in regard to indirect taxes and direct taxes; although only a relatively small number of direct tax activities have been undertaken since the start of the present Fiscalis Programme in 2003. The Programme has also made a welcome contribution in assisting the New Member States, and the other Candidate Countries in adapting their taxation systems and procedures to the requirements of accession to the EU. The IT systems whose Community components are funded through Fiscalis are also considered to operate at a high standard. The Community components assist the Member States in fulfilling their obligations under the principal Community tax legislation, and Fiscalis has also provided a base for the development of improvements and additions to the array of IT systems available. These results have been achieved with considerable efficiency. The new management framework of Fiscalis 2007 is regarded as having improved the operation of the Programme by focusing it more on achieving intended objectives, and the Programme is widely considered to give good value for money and to represent a good use of time for the officials who participate.

Against this must be set a number of concerns that have been identified in the course of the evaluation. These concerns generally represent opportunities for improvement. The Action Plan is organised around the objectives of the Programme and under them detailed operational objectives are intended to reflect the administrative priorities of the Participating Countries. However, concerns have been expressed that the national priorities are not always fully represented by the Action Plan. New measures have been taken recently to improve this, and these measures need to be followed up.

It has only been possible to evaluate the effectiveness of the Programme in achieving its specific objectives in qualitative terms based on the opinions of stakeholders. In part this is because the Programme is only one vehicle for the accomplishment of Community policy respecting tax administration (and only one of the vehicles used by national administrations to achieve their priorities). As a result it is often difficult to distinguish the effects of Fiscalis from the effects of other vehicles, such as the Community's mutual assistance legislation. But the lack of suitable quantitative or objective qualitative indicators has also limited the extent to which the effectiveness of the Programme could be evaluated (*see Section 4.2 above and Section 5.2 below*). Similar concerns applied also to the evaluation of the IT systems and of the efficiency of the Programme.

## **5.2 MONITORING AND EVALUATION**

### **5.2.1 Assessment**

The results of the evaluation imply that a number of indicators suggested in the Memo "Methodological aspects of the evaluation of the Fiscalis Programme 2007" need to be adjusted in order to better correspond to current Programme activities and achievable effects. The reason might be that the developed indicators reflect more the "vision" of what Fiscalis 2007 Programme could achieve in the future in the very long-term, than the current reality of the programme.

Examples include: "the number of mutual assistance requests in direct taxation" and "the number of obstacles to competition removed thanks to the Programme" and many other indicators which attempt to quantitatively measure cooperation between Participating Countries, towards the better understanding of Community law and the integration of administrative practices. These indicators overestimate Fiscalis 2007 Programme effects on short and medium term.

A short analysis of the follow-up report of 2003 suggests that its purpose is the monitoring of the achievement of Fiscalis 2007 Programme objectives. The 2004 annual follow-up report questionnaire of the Programme Management unit was issued simultaneously with the interim evaluation without using possible synergies between the two exercises. The possibility to use and integrate these questionnaire results into the interim evaluation is, therefore, very limited. The evaluation team attempted to use the proposed indicators developed previously in the above-mentioned document and found that much of the data simply was not available. This conclusion was backed up not only through the various face-to-face interviews, but also in the very limited information received in the information request.

Assessment of efficiency and collection of required data was a main difficulty during the evaluation. Defining the type of data to be collected for evaluation at the Participating Country level is one issue that remains to be addressed. Additionally, some of the quantitative data (especially on the use of human

resources) did not seem to be available either at Member State or at Community level. Without such data, evaluation of efficiency is not feasible, unless one relies on qualitative data.

### **5.2.2 Recommendations**

According to the Fiscalis 2007 Decision, the Programme is asked to regularly monitor the achievement of Fiscalis 2007 outputs and results. The practice of an annual-follow-up report is the outcome of this requirement. In addition, the interim and final evaluations are tools to provide in-depth assessment of the achievements of objectives at the initial effects and impact level. However, in order to produce reliable information about efficiency and effectiveness, and even relevance, these evaluations need data which should be supplied by an internal monitoring and assessment system. The current assessment system and the reports derived from it do not fully supply the required data, as indicators for activity/ output and operational objectives'/ results' monitoring are not yet well enough defined (*for further clarification of output and results level within the Fiscalis 2007 intervention logic, please consult Appendix 7 of this report*).

It is recommended to adapt the annual monitoring and follow-up process in the following way:

- A joint review by the Programme and the Evaluation Unit of the annual follow-up reports produced so far (taking into account future assessment requirements), in particular in regard to the definition of suitable and realistic output and results' monitoring indicators. Special attention should be given to ensure that it can provide the data needed for analysing the efficient use of human resources and funding of the Fiscalis 2007 Programme (for more details regarding the use of already gathered data for efficiency, please consult also the conclusions and findings of Evaluation Question no. 10 in this report). For effectiveness, the newly developed qualitative judgment criteria and indicators from this evaluation (*for further details see the table in Appendix 6 of this Report*), could be taken as a guide. A next step would be to review the information gathered through the current practice of collecting evaluation forms, annual reports etc. from Participating Countries and to analyse, if the data requested and provided fulfils the needs for monitoring and assessment of outputs and results.
- The above steps could lead to a list of collectable and measurable decision-relevant data (efficiency and effectiveness) to be collected on a regular basis (suggestion as to what could be considered on a regular basis can be found at the end of this section). The set could include some 15-20 output/ results indicators (qualitative and quantitative data) and between 5-10 core impact indicators (quantitative and qualitative data). Preference should be given to simple indicators that better reflect the current situation of the Programme than too long term oriented indicators. The task of these indicators and the monitoring assessment system would be to supply information that would assist management in making decisions rather than providing very detailed statistical data.

- Very important would be to agree in advance between the Commission and the National Fiscalis Management Teams on what data would be collected regularly and what data might have to be gathered in addition for the coming final evaluation. This would facilitate a final evaluation and reduce the extra burden for Participating Countries in collecting data.
- To integrate the ART-tool (currently in a pilot phase) fully into the monitoring and evaluation system.

The monitoring and evaluation system could be divided into progress monitoring on the activity and results level, which could be carried out on a half yearly basis, and an annual overall assessment. This would make it easier to follow evolution of the Programme and to identify risks that might otherwise divert Fiscalis from achieving objectives.

Developing a Project Group to support the work of improving the monitoring and assessment system could be a possible way forward.

### 5.3 RELEVANCE ANALYSIS: Conclusions & Recommendations

#### 5.3.1 Programme objectives and needs of the Participating Countries

**Evaluation Question 1:** To what extent do the objectives of the Programme as specified in the Decision adopting the Programme still correspond to the needs of the participating national tax authorities? Which are the most relevant objectives?

#### **KEY FINDINGS**

**Judgment Criterion:** Degree of adequacy of objectives to respond to current needs of participating tax authorities' needs and the existing Community legislation (Objectives as stated in the Fiscalis Decision)

**Overall Objective:**

- The overall objective sets out the main principle which Fiscalis works towards, with the remaining objectives outlining in more detail the extent and form in which Fiscalis should assist in improving the proper functioning of the taxation systems. The E-survey shows that there is general agreement amongst Fiscalis National Coordinators that the overall objective is relevant, with some 38% believing the objective to be "mostly relevant" and 62% to be "totally relevant".
- The feedback obtained during the case studies further supports the general agreement illustrated in the E-survey and indicates that by increasing cooperation between Participating Countries, their administrations and officials, the functioning of the taxation systems in the internal market is improved.
- Therefore, as a key concept for the operation of the internal market, the overall objective continues to correspond to the high level needs of the participating authorities.

**VAT and Excise Duties Objectives:**

- There is a similar impression amongst Fiscalis National Coordinators in regards to the VAT and excise duties objectives; with 94% of all E-survey respondents stating they either believed them to be totally or mostly relevant.

- Feedback from the case studies also validates that Fiscalis objectives are relevant to the tax administrations as a way to enable officials to achieve a high common standard of understanding of Community law and its implementation in Member States, and to secure efficient, effective and extensive cooperation amongst Member States.
- The continuing improvement of administration procedures to take account of the needs of administrations and taxpayers through the development and dissemination of good administrative practice is seen as a forward looking approach to address future needs of the tax administrations.
- In one case a Fiscalis Coordinator expressed the need to address state aid issues regarding excise duty exemptions. However, aside from that, no additional needs were expressed during the evaluation.

***Direct Taxation Objectives:***

- All but three of the 25 respondents to the E-survey stated that providing support for information exchange in the field of mutual assistance and to raise awareness of Community law applicable in the field of direct taxation was relevant. Some 48% stated it was totally relevant, 32% mostly relevant; and only 8% slightly relevant.
- The case studies reflect these findings with all respondents agreeing with the extension of Fiscalis to direct tax. Reservations were brought forward by one Participating Country, which expressed the position that direct tax is principally a matter for Member States and that tax matters should be governed by unanimity. Furthermore, there was agreement on the part of the above-mentioned Participating Country towards the extension of Fiscalis to direct tax, but on the basis that direct tax aspects be limited and participation optional (reflecting the limited direct tax acquis).
- Although agreement on the relevance of the direct taxation objectives is not as high as with the VAT and excise objectives, it is considered relevant and there is interest in increasing joint actions in this area.

***Insurance Premiums Objectives:***

- E-survey agreement on the relevance to improve cooperation between Member States, ensuring better application of the existing rules, is found to be relevant by some 60%, with 48% agreeing totally or considering the objectives mostly relevant, and 12% believing them to be slightly relevant. Some 40% of respondents replied by checking 'don't know'.
- Feed-back from the case studies confirms the finding, where many respondents agreed the insurance premium objective was relevant. However, discussions revealed that some Participating Countries do not have taxes on insurance premiums therefore making this objective 'not relevant'. Others stated that low activity in the area made it 'not relevant'. This could be an explanatory factor for the high 'don't know'

response rate in the E-survey responses.

- Although there is no call to eliminate this objective, the information indicates that generally, there did not seem to be any strong need or interest for action at this time. No suggestions were made for further actions in this specific area.

***Candidate Countries' Objectives:***

- Generally the E-survey indicated that objectives relating to Candidate Countries meeting their special needs so that they take the necessary measures for accession in the field of tax legislation and administrative capacity were viewed as being either totally or mostly relevant (31% respectively). However, 8% of respondents did not believe it was relevant and 30% stated 'don't know' when asked how relevant the Candidate Countries' objectives are. These figures were confirmed and were elaborated during the case studies interviews.
- For obvious reasons it was found that although these activities were not viewed as important for old Member States, they are still viewed by them as being important for the smooth integration of New Member States and Candidate Countries into the EU. It was acknowledged that the smooth integration of New Member States is in the interests of the old Member States.

**Needs of the National Tax Administration included in Action Plan:**

- The Fiscalis National Coordinators who responded to the E-survey programme 'agreed strongly' (32%) and 'agreed' (64%) that the needs of the national tax administration were included in the annual Action Plan. However, it was noted that 13 out of the 49 responses did not respond to the question.
- The case study results generally support the finding that Fiscalis National Coordinators agree that the Action Plan reflects national needs, but suggest that not all Fiscalis National Coordinators are actively participating in the development of the Action Plan, which may indicate that it does not always reflect the actual needs of national administrations, and may also explain why 13 out of 49 respondents did not reply to this question.

It is noted, however, that based on the interviews and research conducted, this difficulty does not seem to be attributed to Fiscalis itself, but more to the various level of participation on the part of Fiscalis Management Teams.

<b>PROGRAMME OBJECTIVES AND NEEDS OF THE PARTICIPATING COUNTRIES</b>	
<i><b>CONCLUSIONS</b></i>	<i><b>RECOMMENDATIONS</b></i>
<p><b>The objectives as stated in the Fiscalis Decision continue to correspond to the needs of the participating national tax authorities and the existing Community legislation</b></p> <ul style="list-style-type: none"> <li>• The overall objective and the VAT and excise duties objectives continue to be highly relevant to all participants and therefore relevant to participants' current needs.</li> <li>• Despite some reservations regarding the direct taxation objective, it is perceived to be relevant to officially stated needs, and there is interest in increased information exchange in the area of mutual assistance, indicating relevance to operational needs.</li> <li>• Although the insurance premiums objective does not rank highly in meeting current needs, it is noted that incorporating issues which may not be a high priority today, provides Participating Countries, if necessary, the opportunity to undertake action in future. This enables Fiscalis to provide Participating Countries the opportunity to collaborate in new areas.</li> <li>• In addition, the Candidate Country objectives continue to be important both for Accession Countries and New Member States, as the latter continue to integrate themselves into the Community.</li> <li>• The smooth integration of Candidate Countries is of benefit to all Participating Countries.</li> </ul>	<p><b>Continue to monitor the needs of the participating national tax authorities on a regular basis</b></p> <ul style="list-style-type: none"> <li>• One of the cornerstones of Fiscalis is its flexibility, the Programme should continue to incorporate objectives to allow the Programme to respond readily to current and future needs, and it is important to be attentive to developments in the needs of Participating Countries' tax administrations or in Community legislation that may make expansion of objectives desirable.</li> <li>• The insurance premium objective is one example where the Programme is anticipating future needs. While there does not appear to be any current need for joint actions in respect of taxes on insurance premiums, the objective has sufficient relevance to national needs and should be retained as part of the Programme.</li> <li>• In order to maintain the relevance of Fiscalis' objectives it is necessary to monitor Participating Countries' needs. How the objectives correspond to the daily operational needs of the national administrations is at the heart of the functioning of the Fiscalis Programme.</li> <li>• To view recommendations regarding the needs of Candidate Countries as well as needs under direct taxation, please view Evaluation Questions 3 and 7 respectively.</li> </ul>

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| <ul style="list-style-type: none"><li>• Although the Action Plan seems to reflect the needs of the national administrations, the reality that Fiscalis has 28 Participating Countries with different needs and levels of participation means that the Action Plan does not always reflect the actual needs of all national administrations.</li></ul> |  |
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### 5.3.2 Action Plan and needs of Participating Countries

**Evaluation Question 2:** How well did the chosen tools and content stated in the annual Action Plan address the needs of the Participating Countries?

#### **KEY FINDINGS**

**Judgment Criterion:** Degree of adequacy of instruments used (seminars, exchanges, training, Project Groups and other activities) to respond to current needs of participating tax authorities' needs, measured through document analysis and interview/questionnaire

**Instruments/ Tools:**

- E-survey feedback from Fiscalis National Coordinators indicated that the various tools (seminars, exchanges, multilateral controls, training, Project Groups, and VIES) as well as their content were addressing the needs of Participating Countries.
- Over 90% of E-survey respondents viewed seminars and exchanges as either 'mostly' or 'totally relevant', some 64% believing multilateral controls to be either 'totally' or 'mostly relevant', with around 12% stating that they were 'slightly relevant', and 24% 'don't know'. Project Groups were viewed as being either 'totally relevant' or 'mostly relevant', with only 15% viewing them as 'slightly relevant'. The exception were training activities, where only 35% found them to be either 'totally' or 'mostly relevant', while 42% of respondents found them to be 'slightly relevant' in terms of meeting needs.
- E-survey feedback from participants indicated that all Fiscalis activities achieved a high level of approval. In every case, over 90% of respondents considered the activities to be 'relevant', well organised and a good use of their time. Furthermore, materials received during activities were also viewed as being useful. When ranking the joint actions, participants considered seminars most useful; followed by exchange visits, Project Groups and multilateral controls. However, concerns as to the duration of multilateral controls and Project Groups were raised. It is important to note that this ranking of joint action is bias, as most participants interviewed and surveyed participated in seminars and exchanges, the choice of most useful joint action depends on the objectives to be attained.

- These findings from the E-survey were reflected in the case study feed-back. Further detail as to possible improvements were provided where it was considered that not all joint actions, in particular seminars and exchanges, had the correct focus (most appropriate in terms of priority and business rationale at Participating Country level), and that some of the information provided was not directly relevant to the immediate needs of Participating Countries. Exchanges in particular are said to need very clear objectives, and stronger follow-up on the benefits and information received during exchange visits. It was found that there is a general understanding that exchanges are divided into two categories, tailor made exchanges and exchanges organised in a group. Tailor made exchanges are described as being more appropriate for specific issues; and exchanges organised in a group, are more appropriate for general learning and networking exercises. In the case of multilateral controls, it was acknowledged that their use has varied in recent years, mainly due to time requirements and to some doubt whether they can be as cost effective as internal control methods, but there is generally a hope to increase their use in future.
- In the case of trainings it was clear from feedback attained through the case studies and interviews with EC officials, that there had been little activity in this area due to a lack of proposals both on the part of Participating Countries as well as the Commission. However it was reported that although there is interest in continuing efforts, there is a need to understand the reasons for low activity and to develop a strategy of how progress could be made in this area. Suggestions for areas for joint action received through the information request were missing trader fraud, interrogating cash registers, and control techniques.
- Comments and suggestions received through the E-survey and the case studies suggest that it might be advisable to conduct seminars on current Case Law. Additionally, it was suggested that smaller group formations for seminars might be a way in better tailoring the focus of joint actions. Although it is currently possible to offer joint actions with a limited number of participants, this is currently not formalised. It should be noted that formalising the limitation of participants could create larger legal and financial implications for the Programme.

**Needs met by Action Plan:**

- When asked whether the needs of tax administrations were being met by the Action Plan, many agreed, mainly due to its flexibility. However, it was not always clear whether the business objectives of national tax administrations were always properly reflected in the Action Plan.
- One area of concern highlighted both during the case study visits and in feedback from the E-survey was training. It was suggested that small amount of activity in this area was due to the difficulties of developing common training activities in the day-to-day operational procedures, however it was suggested that training possibilities be further examined, particularly in such areas as missing trader fraud, interrogation cash registers and assurance/ control techniques.
- During the case study interviews some Participating Countries stated that their national priorities were being well met by the Programme,

but others were concerned that the Action Plan did not fully reflect the current priorities of the Participating Countries. During the desk research, commission officials indicated that the Action Plan is based on proposals made by Participating Countries, so it should as a result reflect their priorities. Moreover, the Commission recently circulated a questionnaire asking Participating Countries to describe their general administrative priorities, although different countries have responded in very different ways (some describing their priorities in broad conceptual terms, others describing them in terms of the types of activities to be undertaken).

<b>ACTION PLAN AND NEEDS OF PARTICIPATING COUNTRIES</b>	
<b>CONCLUSIONS</b>	<b>RECOMMENDATIONS</b>
<p><b>Instruments such as seminars and exchanges responded well to current needs of participating tax authorities. However, in the area of training, limited work has been undertaken</b></p> <ul style="list-style-type: none"> <li>• Fiscalis activities overall achieve a high level of approval regarding relevance and organisation.</li> <li>• Both seminars and exchanges respond well to the needs of Participating Countries. Although the use of multilateral controls has varied in recent years, they continue to be regarded as relevant</li> <li>• In the case of training, little work is being undertaken; however, there is interest in examining the issue and developing this tool.</li> <li>• Joint actions need to be broad and flexible enough to meet a broad range of needs, but at the same time be able to provide the opportunity to focus and structure them, in order to meet specific needs.</li> <li>• Exchanges are divided into two categories, tailor made exchanges and exchanges organised in a group. The former seems most appropriate for specific issues; the later is more useful for more general learning.</li> <li>• The Action Plan is flexible enough to incorporate a variety of needs. However, the level of active participation varies, both in proposing actions and also in determining the relevance of actions. Therefore, in some instances the Action Plan has lost focus and may not reflect actual business priorities.</li> </ul>	<p><b>Need for continuous improvement of instruments, as stated in the Action Plan, adapting the delivery to the evolving needs of the participating tax authorities</b></p> <ul style="list-style-type: none"> <li>• Instruments need to continuously be improved to meet the needs of Participating Countries. In the case of seminars, it could be beneficial to promote smaller events where a more focused subject could be addressed by relevant Participating Countries. For example, seminars on ECJ Case Law and its implications on EU taxes and interpretation should be considered. Also, the use of case studies during seminars and exchanges is recommended as a way to deliver a consistent learning experience focused on lessons.</li> <li>• Making a clearer distinction between the two forms of exchanges could help better address the various needs. Further improvements in this tool could be obtained by ensuring that all applicants have clear objectives for their exchanges, providing further information on applicants' backgrounds, and ensuring that there are procedures in place for the dissemination of the results of exchanges. A number of Participating Countries are already working towards these aims. The exchange management plan and report template would be a good basis for helping Participating Countries to further coordinate such developments.</li> <li>• The Programme of training actions has not been very successful in meeting the interest that was found to exist. Training actions would benefit from a re-examination in order to</li> </ul>

<ul style="list-style-type: none"><li>• The degree of reflection of national priorities in the Action Plan is not always entirely clear. Most countries appear to be satisfied that it does so. Moreover, the recent exercise the Commission launched of asking Participating Countries about their priorities would appear useful in ensuring that national priorities are indeed reflected in the Action Plan.</li></ul>	<p>determine whether improvements can be made to meet the needs of Fiscalis participants. (Such areas as missing trader fraud, interrogating cash registers, and control techniques were identified as possible areas for training activities by stakeholders.)</p> <ul style="list-style-type: none"><li>• In order to ensure the Action Plan reflects the business objectives, it is important to further encourage the active participation of all Fiscalis Management Teams. It was suggested that more activities in the area of direct taxation should be considered.</li></ul>
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## 5.4 EFFECTIVENESS ANALYSIS: Conclusions & Recommendations

### 5.4.1 Achievement of tax legislation and administrative capacity objectives for new Member States, Candidate Countries and Accession Countries

**Evaluation Question 3:** To what extent has the Programme achieved its objectives set out for the new MS and the Candidate Countries and the countries in preparation to accession, in terms of tax legislation and administrative capacity?

#### **KEY FINDINGS**

**Judgment Criterion:** Degree of satisfaction of new MS and Candidate Countries with the way their specific needs were addressed in the Programme

- Generally, E-survey responses show that representatives from new Member States strongly agree that Fiscalis activities have met their needs. Agreement was less strong on whether the Programme helped these countries in preparing for accession, both in terms of tax legislation and administrative capacity. The feedback from the case studies provides further support for these findings and explains that Fiscalis was one of the instruments provided for accession, stakeholders citing such programmes as Twinnings, PHARE and TAIEX. The main focus of Fiscalis accession activities was based on capacity building in the area of IT and the offering of special training events in key administrative practices (mainly anti-fraud) and not on tax legislation.
- The case studies as well as the analysis of the Action Plan showed that the main focus of Fiscalis accession activities was based on capacity building in the area of IT and connecting the NMS to the IT applications, as well as offering special training events in key administrative practices (mainly anti-fraud) and not on the transposition of tax legislation for accession. The two case studies undertaken in the NMS showed that the support provided through Fiscalis for the IT aspect was perceived positively, both countries emphasising the good quality of the technical help offered to them.
- All case study respondents, however, agreed that Fiscalis had helped in taking necessary steps towards supporting the accession process in the area of taxation; nevertheless, there was the feeling that Fiscalis could have offered more specialised activities in the transposition and adaptation of tax legislation for accession. Despite this, all respondents highlighted the special benefit of extra training provided in 2003 and 2004 and the need for additional training in the future.

- Perception of Fiscalis benefits varied between different parts of governments responsible for taxation. Officials working in the Ministries of Finance stated that the greatest added value was provided before accession, when they were moving toward the transposition of Community law. Now that accession has been completed, Fiscalis benefits have moved to the tax administrations. Feedback from these officials was generally positive, as they were satisfied with the seminars on administrative practices.
- The respondents in the case studies emphasised the great benefit from participating in Fiscalis in so far that it provided them with an informal networking opportunity and also provided them with a forum to benchmark their own efforts in transposing Community law into national tax law.
- During the case studies in New Member States it was also reported that currently sometimes the topics of seminars are not fully relevant for New Member States. This may be because it is a topic that will only become interesting in the future (e.g. the taxation of biofuels under the Directive on excise duties on energy products (2003/96/EC) is unlikely to become a relevant topic in Hungary for about 5 to 10 years). Another example is where Community legislation has been directly transposed into national legislation in a New Member State, often meaning that the New Member States do not have the same problems of implementation as do the old Member States.

**Judgment Criterion:** *Extent to which knowledge acquired during measures (seminars, trainings) was disseminated within the tax administrations (and how)*

- Feedback from the E-survey indicates no difference between Candidate Countries, New Member States and old Member States, in the extent and type of dissemination. Evaluation Questions 4 and 6 of the E-survey indicate that the knowledge acquired during the joint actions was effectively disseminated within national administration. As found through the E-survey results, 95% of respondents have disseminated information learned through Fiscalis activities, however, the case studies have verified that there are notable differences in the breadth of dissemination, most probably caused by difference in size, structure and technical ability towards disseminating information within the administrations. *(For further details please refer to Key Findings of Evaluation Questions 4 and 6.)*

**Judgment Criterion:** *Level of Participation in Fiscalis activities*

- Feedback suggests that before accession, participation in Fiscalis was limited to attendance at seminars and other joint activities. This still currently applies to Candidate Countries. Participation in Fiscalis activities changed after accession (May 2004), where New Member States are now increasingly involved in the various joint actions and also hosting them:
  - Project Groups: hosting 1 out of more than 50 Project Group meetings in 2003 to 2004
  - Seminar: hosting 5 out of 24 in 2004It is noted that the New Member States are now starting to make proposals for new joint actions.

- It should be noted that several New Member States intend to participate in a MLC and that the Candidate Countries are participating in a limited number of Project Groups.

***Judgment Criterion: Quantity of implemented actions***

- In 2003, Fiscalis implemented 6 special activities for Candidate Countries and New Member States, covering the areas of: risk analysis, transfer pricing policy and the EU Arbitration Convention, E-services, the transitional regime of VAT (intra-Community supplies), intra-Community transport services and related services, and special VAT schemes (SMEs and second-hand goods).
- In 2004 Fiscalis implemented 3 more (computer audit, carousel fraud, and VAT treatment of goods under customs arrangements (Sixth Directive, Art. 16)).

<b>ACHIEVEMENT OF TAX LEGISLATION AND ADMINISTRATIVE CAPACITY OBJECTIVES FOR NEW MEMBER STATES, CANDIDATES COUNTRIES AND COUNTRIES IN PREPARATION FOR ACCESSION</b>	
<b>CONCLUSIONS</b>	<b>RECOMMENDATIONS</b>
<p><b>High level of benefits to New Member States and Candidate Countries in meeting their needs related to tax legislation and administrative capacity</b></p> <ul style="list-style-type: none"> <li>• Overall Fiscalis provided and provides a high level of benefits to New Member States and Candidate Countries, which are greatly appreciated. One of the success stories of Fiscalis in terms of capacity building was the set-up of the Fiscal IT applications and the connection and integration of all New Member States at the 1st of May 2004.</li> <li>• Fiscalis has been very strong in building administrative capacity in regards to Fiscalis' IT applications (their operation and use), although, non-IT related aspects were covered via nine special training events, which were very successful in providing insight to new practices and procedures.</li> <li>• Both case studies conducted in New Member States have shown that these countries may have new special needs, which may be appropriate to address through Fiscalis. One reason for this could be that the adoption to Community law was done in a very different way as in the case of old Member States (less time, more direct transposition). These needs could include (as expressed by case study interviewees): the implications at national level of decisions of the European Court of Justice (not necessarily only recent cases), training in administrative practices (e.g. tools for fight against VAT fraud), and the implications of implementing Community taxation</li> </ul>	<p><b>Further examination needed into (newly emerged) special needs of New Member States</b></p> <ul style="list-style-type: none"> <li>• It would be beneficial to further examine whether there are unmet or new special needs for the New Member States and the remaining Candidate Countries that would be appropriate to address under Fiscalis. A special "forum" for New Member States could be a focused way to collect information and, if deemed appropriate, further encourage active participation.</li> <li>• Given the possibilities and added value available under Fiscalis, coordinating the use of Fiscalis with the use of other accession instruments could help to fully cover the special needs of Accession Countries in the area of taxation.</li> </ul> <p><b>Develop a systematic approach to keep a record of best practices and lessons learned which could be reutilised by training activities</b></p> <ul style="list-style-type: none"> <li>• In light of the success of the activities for the Candidate Countries that have recently acceded, consideration should be given to preparing a handbook or a catalogue on activities for Candidate Countries in order to record best practices from recent experience for future use. Responsibility for possibly developing this handbook would need to be decided by the Commission and the Participating Countries.</li> </ul>

legislation through direct transposition (e.g. adopting detailed rules, exercising options, etc.).

- Participating Countries vary greatly in size and structure. There is no significant deviation to the extent and types of dissemination between New and Old Member States. However, a great difference in the extent and way of dissemination was found during the case studies, showing a great dissimilarity between the two types of countries visited. It is probable that this was caused by the difference in size, structure and technical possibilities for the dissemination of information within the administration, which implies that this may have also affected the implementation of Community taxation law. *(For further details please refer to the conclusion for Evaluation Questions 4 and 6.)*
- There is insecurity about the Fiscalis contribution to building administrative capacity in relation to understanding and applying Community law. As this is not the role of Fiscalis, it shows that stakeholders may not have been sure about the role and opportunities of Fiscalis during the accession process. This is a difficulty of communication, as participants were not always clear that Fiscalis is a Programme based on subsidiarity and therefore very different from other accession instruments such as Twinning, TAIEX or PHARE. On the other hand, many activities disseminating good administrative practice have been successful *(see the findings for Evaluation Questions 4 and 6)*.

**Added value of Fiscalis was the creation of informal contacts and forum**

- Added value for Candidate Countries was in the form of creating the possibility to have access to informal contacts as well to a forum to find out if their own efforts for accession are correct or not. The participation in Fiscalis before accession provided many benefits.

- Consideration should be given as to whether the success of the activities offered for the Candidate Countries can provide useful feedback for the wider training development activities of Fiscalis. *(See also Evaluation Question 4.)*

**Increased level of Participation of New Member States in Fiscalis activities**

- Before accession, the attendance at seminars and other joint activities was quite limited. However, the participation in activities changed after accession and New Member States are now increasingly involved in making proposals for joint actions. The increasing participation after accession is noticeable, but still low compared to the number of New Member States.

**Significant quantity of implemented actions for Candidate Countries and New Member States**

- Nine special activities for Candidate Countries and New Member States covered a wide range of topics and provided an important support during 2003 and 2004.

#### 5.4.2 Achievement of high standard of understanding of Community law with regard to value added tax and excise duties

**Evaluation Question 4:** To what extent has the Programme helped officials to achieve a high standard of understanding of Community law (and its implementation in Member States) with regard to value added tax and excise duties as intended?

#### KEY FINDINGS

**Judgment Criterion:** Degree of awareness and knowledge about Community law and its implementation at Participating Country level (perception of participants and Coordinators about better understanding and awareness)

- Generally, it was reported that Fiscalis seminars and exchanges improved participants' understanding of Community law. Survey results from participants showed that there was general consensus that Fiscalis activities had improved their knowledge of Community law. The only activity on which less than 88% of respondents agreed were those regarding Project Groups, with 78% agreement. This result was consistent with the function of Project Groups.
- Respondents also agreed that within their countries there was a high degree of awareness and knowledge about Community law and its implementation. Case study feedback indicated that the degree of awareness is often 'patchy' within national administrations, with awareness and understanding being lower at certain local levels.
- Suggested improvements from the information request, case studies and E-survey were the use of CIRCA and when appropriate a bi-lateral approach. However, it is noted that not all officials have access to CIRCA and that much of the information is available via the Internet.

**Judgment Criterion:** Satisfaction of participants with seminars and exchanges

- Satisfaction of participants in regards to joint activities varied. Although the E-survey indicated a high level of satisfaction, the feedback received during the case studies indicated various degrees of satisfaction.

**Seminars:**

- Generally there was wide satisfaction with seminars, and respondents considered that material on Community law presented during seminars met their expectations. However there were some significant concerns. Some seminars were not detailed enough or lacked practical examples and materials in languages that all participants could understand. There was an indication that the trend towards a more “workshop style” structure (using “case studies” as a basis for discussion, with participants often broken into smaller groups) was beneficial.
- An important factor behind these concerns was identified as being the number of people attending seminars. With enlargement and two attendees per country plus other persons in attendance, seminars frequently have as many as 70 people present. In addition, those attending often have a wide range of knowledge and skills relating to the topic of the seminar, so that a significant proportion of participants find the seminar to be at too high or too low a level. Several respondents to the case studies suggested that it would be advantageous for some seminars to be organised for groups of countries on the basis of common needs or interests. The example was given of seminars on carousel fraud (missing trader fraud), against which some countries have developed sophisticated tools, while at the other end of the spectrum other countries are looking to start introducing best practice. The latter countries are looking for basic information on tackling this problem, while the former group, while very willing to pass on their knowledge, are also interested in working to improve and further develop the tools available.
- On the other hand, other respondents considered that it was an important feature of the Fiscalis Programme that all seminars were open to all Participating Countries. Even though countries are not required to attend all seminars, among at least some countries this appeared to be perceived as being expected of them.

**Exchanges:**

- Information from the case studies indicated that in the past most exchange visits were organised in a group, in which a large group (as many as 25) of officials from various Participating Countries would visit one tax administration, typically for two weeks, and follow a set programme of activities. They are often scheduled for a particular period in the year. The activities would often cover a relatively broad range of topics to ensure that the interests of all the visitors would be met. More recently there has been increasing use of ‘tailor made exchanges’, in which a few visiting officials with similar professional interests and similar objectives for the exchange follow a programme of activities put together to meet the visitors’ objectives. The tailor made approach was considered by a number of respondents to be more effective, although it was recognised that it can be more resource intensive.’
- Recently there has been considerable concentration on developing tailor made exchanges. It was reported that when the information obtained was not targeted, exchanges were often too general. Tailor made exchanges were reported to allow for a more focused/precise subject, thereby fulfilling specific business needs of the national administrations participating.

- Some countries noted that the information available about the objectives of potential participants in exchanges was sometimes not sufficiently clear to target exchanges effectively. On the other hand, some countries indicated that there were also benefits from non-groups exchanges particularly for non-specialist officials. Benefits noted included the attainment of general understanding of not only the host countries' system but also of those who are participating, and building useful networks of contacts.

**Judgment Criterion:** *Extent to which knowledge acquired during measures (seminars, exchanges) was disseminated within the tax administrations*

- According to the E-survey, the knowledge acquired during joint actions was effectively disseminated within the national administrations. 95% of respondents disseminated knowledge learned through Fiscalis activities.
- A more detailed look at the data, however, shows that there are notable variations in the breadth of dissemination. Some 64% of respondents disseminated information to their managers, 80% to their colleagues, and 27% to their staff. This is confirmed by the case studies, although, as mentioned below (*see Evaluation Question 6*), the case studies also indicated that the patterns of dissemination vary significantly between countries. Fiscalis National Coordinators or Fiscalis Coordinators in a number of countries indicated that they were dissatisfied with the methods and level of dissemination currently used within all or part of their administrations, but that the administrations were working on improving their procedures. It was suggested by the Commission that it might be advisable to suggest a minimum level of dissemination in a new Fiscalis Decision or to open a Commission web-page for all tax officials. It should be noted that there was disagreement on this point on the part of Participating Countries.

**Judgment Criterion:** *More generalised type of dissemination used by Participating Countries aiming at information transmission after participation in joint actions*

- According to the E-survey, the most common means for the dissemination of acquired knowledge were: intranet, internal circulation of reports prepared by seminar participants, special presentations and training sessions.

**Judgment Criterion:** *Degree of development of common training modules (taking into account existing legal hurdles)*

- Several countries commented on the low level of activity in the training development component of Fiscalis. Training development is coordinated by the Fiscalis Training Committee, which includes ten Participating Countries at a time on a basis of eighteen-month rotations. The Committee meets only twice a year. There are currently only two training development activities under way: development of a multilingual glossary of taxation terms, and development of a catalogue of training materials and courses. (There is one additional activity in view for 2005, on carousel fraud training.) These activities were considered to be good, particularly the glossary. The respondents who commented on training development thought that more could be done, and some commented that more leadership could be provided by Commission staff. It was noted that the Fiscalis Training Committee has provided networking opportunities that have given rise to some bilateral cooperation on training matters. Difficulties with establishing training development activities under Fiscalis included the long lead-time (as much as 18 months to 2 years) before a training activity could start work.
- Training is a significant element of many of the other activities under Fiscalis, particularly many seminars and exchanges. This has been true of many of the activities undertaken to assist the New Member States with accession, but it is apparent that it is also true of the typical group exchange visits.

**Judgment Criterion:** *Use of open training courses to exchange knowledge*

- “Training activities”, as defined in the Fiscalis 2007 Decision, Art. 9, are essentially training development activities (generally for delivery by Participating Countries), although they also include the obligations, where appropriate, on Participating Countries to open national training programmes to officials from other countries and to provide linguistic and common professional training to their own officials. “Training activities” do not include the delivery of training, although training can be delivered through other Programme activities, notably seminars or exchanges.
- A clear majority of countries did not offer national training to officials from other Participating Countries in 2003 and 2004 or send officials to other countries’ training courses. Three countries sent officials to courses in three other countries. The courses were in areas such as E-audit, fight against fraud, alcoholic beverages and mineral oils, areas that are also the subject of Fiscalis joint actions.
- Feedback indicated that the reasons for the low acceptance and use of the opening of training courses were: national training courses are generally adapted to the practical needs of the officials’ tasks within the administration; the possibilities for the useful participation of foreign colleagues in other countries’ events are limited because they cannot be sufficiently aware of the working methods and administrative structures of other countries; the language barrier; and the differences in national legislation and working traditions. It is also noted that responses on this issue came from only a very few countries.

<b>ACHIEVEMENT OF HIGH STANDARD OF UNDERSTANDING OF COMMUNITY LAW WITH REGARD TO VALUE ADDED TAX AND EXCISE DUTIES</b>	
<i>CONCLUSIONS</i>	<i>RECOMMENDATIONS</i>
<p><b>Moderate contribution to awareness and knowledge creation about Community law and its implementation at Participating Country level</b></p> <ul style="list-style-type: none"> <li>Fiscalis has contributed to improve awareness and knowledge of Community law; however, it is often ‘patchy’ within national administrations, with awareness and understanding of Community law as well as its implementation being lower at certain local levels. In other words, Fiscalis has had a strong effect at the central and higher levels but lesser effects on the lower and local levels.</li> </ul> <p><b>Great variance in satisfaction of participants with seminars and exchanges</b></p> <ul style="list-style-type: none"> <li>Satisfaction of participants with seminars and exchanges varied significantly. Although responses from the E-survey indicated that participants have a high level of satisfaction with seminars and exchanges, the feedback received during the case study programme indicated different levels of satisfaction. There is interest in examining different ways of structuring these joint actions.</li> </ul> <p>Seminars:</p> <ul style="list-style-type: none"> <li>The principle of seminars being open to all Participating Countries is valuable; however, due to the various needs of participants, it appears that there are instances, as in the example of carousel fraud described in the findings above, where this principle can conflict with the effectiveness and relevance of seminars.</li> </ul>	<p><b>Continue to create and promote awareness of Community law and its implementation</b></p> <ul style="list-style-type: none"> <li>Fiscalis should continue to promote the awareness of Community law and its implementation through the various tools at its disposal. Although some Participating Countries may already have a high degree of awareness and understanding of Community law at certain levels, Fiscalis can contribute to broadening and deepening this awareness.</li> <li>Versions of national legislation and national guidelines in English or other major EU languages could, where available, be uploaded to CIRCA to assist officials on improving knowledge of Community law and its implementation at national level, or could be addressed, when applicable, on a bilateral basis.</li> </ul> <p><b>Develop an approach to seminars and exchanges better suited to the needs of groups of countries to achieve high standards of Community Law</b></p> <ul style="list-style-type: none"> <li>In regards to seminars, it should be possible to develop approaches that would permit seminars to be targeted at groups of countries, subject to a requirement of appropriate follow-up activities (reports, other group seminars, etc.) for effective communication to ensure that the principle of universal access and transparency is maintained for the countries not participating in the first seminar. Although in practice it is possible to conduct seminars with a limited number of</li> </ul>

Exchanges:

- There are two distinct forms of exchanges, tailor made exchanges and exchanges organised in a group. In a tailor made exchange a few visiting officials with similar professional interests follow a programme of activities targeted towards their specific objectives. In an exchange organised in a group, a group of up to 25 officials visit a tax administration and follow a set programme of activities. Both forms have advantages and can be used to meet the different needs of participants. Making exchanges effective involves careful planning and follow up, which includes the setting of clear objectives and the use of effective follow up and dissemination mechanisms.

**Knowledge acquired during measures (seminars, exchanges) was disseminated within the tax administrations.**

- Information is in general disseminated effectively; however, it is clear that the depth and breadth of dissemination varies greatly. National administrations recognise the role that effective dissemination plays in ensuring that full value is obtained from Fiscalis activities, particularly seminars and exchanges, and in several cases are actively working to improve their procedures.

**More generalised type of dissemination used by Participating Countries aiming at information transmission**

- There are a number of forms in which dissemination takes place. For example, intranets, internal circulation of reports prepared by seminar participants, special presentations and training sessions (Further detail on dissemination towards the improvement of the administrative practices can be found under Evaluation Question 6).

participants, consideration should be given to designating such group seminars as a distinct Programme activity, for example in the form of a 'workshop'.

- In addition to the recommendation stated in Evaluation Question 2, clarifying and further developing the role of tailor made exchanges and of exchanges organised in a group is important. It would also help to clarify the role of exchanges organised in a group by designating them as "training exchanges".
- An appropriate further step would be to integrate such training exchanges into the training (development) activities of Fiscalis, to ensure that these exchanges were being used to cover suitable topics, and to enable best practices for such exchanges to be developed and disseminated. This might well also prove helpful in identifying more generally whether there are particular areas where there is a need for further development of common training programmes.

**Improve internal processes of dissemination by making use of best practice**

- Consideration should be given as to whether support can be provided under Fiscalis to Participating Countries that are trying to improve their internal processes of dissemination. This might take the form of seminars or exchanges to pass on best practice in internal dissemination. Also, providing documents in several languages could further improve the quality of dissemination.

**High potential for developing common training modules**

- The results of this evaluation showed that Participating Countries consider the level of training activities to have been very low, but there is a widespread view that there is potential for improvement. In particular, common training modules are not being taken proper advantage of. It was not clear from the evidence obtained whether this was due primarily to the process for training development under Fiscalis 2007, or from a lack of any greater need of common programmes and tools.
- A recent document prepared by DG TAXUD on the training aspects of Customs 2007 and Fiscalis 2007 (TCSG Document 13, TAXUD/A2/BR D (2005)) suggests that the problem is principally a lack of proposals regarding national training needs and requirements (both on the part of the Commission and Participating Countries.) The results of the evaluation suggest, however, that does not give a full picture of the scope for training development under Fiscalis, and that there are opportunities for the Commission to offer additional strategic direction in this area.

**Low use of open training courses to exchange knowledge**

- The low level of response on opening national training to other Participating Countries' participants suggests a general lack of awareness relating to the opening, where appropriate, of training courses and a general lack of demand for such courses.
- While a number of the concerns about the applicability of national courses to officials from other countries appear to be very relevant (particularly differences in national law and, in some cases, the language barrier), it is noted that the areas in which the opening of training courses is found tend to be areas more concerned with administrative practices than with applicable legal provisions.

- It might also be helpful if, as part of the management framework of Fiscalis, Participating Countries were asked as part of the follow up to individual activities to confirm that steps had been taken to disseminate the results of activities participated in, without, however, needing to imply any requirements as to the form or extent of dissemination appropriate in each country.

**Review the training goals of Fiscalis as a way to clarify the priority of this activity**

- There is the need to either reform the process for common training or acknowledge that this should be a lower priority for Fiscalis. The proposals in TCSG Document 13 are a start in beginning this process.

**Implement the use of open training courses to exchange knowledge among trainers and provide feedback to the training development activities of Fiscalis**

- It could also prove useful to host a seminar for all heads of training to assess the situation with regard to Fiscalis training activities.
- As noted under Evaluation Question 3, consideration should also be given as to whether the success of the activities offered for the Candidate Countries can provide useful feedback for the wider training development activities of Fiscalis.

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| <ul style="list-style-type: none"><li>• This suggests that Participating Countries may have underestimated the scope for opening training courses. It appears that, under Article 11(5) (b) of the Fiscalis Decision, it is the responsibility of the country of the trainee to pay the cost of attendance at an open training course. This limits the burden taken on by a country that opens a training course.</li></ul> |  |
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### 5.4.3 *Achievement of efficient, effective and extensive cooperation among Member States in value added tax and excise duties*

**Evaluation Question 5:** To what extent has the Programme helped to secure efficient, effective and extensive cooperation among Member States in respect of value added tax and excise duties

#### **KEY FINDINGS**

**Judgment Criterion:** *Degree of satisfaction with contribution of Fiscalis to enhanced cooperation*

- Feedback from the case studies shows that there is full agreement among Fiscalis National Coordinators and Fiscalis Coordinators that Fiscalis has been helpful in enhancing cooperation between Participating Countries, for example at a general level through informal networking.

**Judgment Criterion:** *Observable relationship between Fiscalis activities and degree of use of non-IT tools for information exchange and mutual assistance*

- There is an observable relationship between Fiscalis activities and the use of non-IT tools for information exchange and other mutual assistance. Qualitative information supports this, but this seems to occur mainly by providing participants the opportunity to network. There is quantitative information on the use of SCACforms; however, with the information obtained, it was not possible to make any strong conclusions.
- Feedback from the case studies indicates that there is broad but not universal agreement on the part of Fiscalis National Coordinators and Fiscalis Coordinators that Fiscalis contributes to the increase in use of mutual assistance. However, agreement varied as to whether the principal factors making this contribution are the funding provided by Fiscalis and more importantly the opportunities provided to participants for networking. Information obtained through the information request on the use of SCACforms seems to indicate a significant increase in their use in 2004.
- There are three possible explanatory factors: the accession of the New Member States, the availability of CCN-mail to transmit SCACforms, and the introduction of improvements to SCACforms under Fiscalis. Due to a lack of information, the relative contribution of

these factors is not clear; nevertheless the data appeared to be consistent with the improvements to the SCACforms being a possible factor behind their increased use.<sup>10</sup>

- Until 2004 there was no distinct legal basis for multilateral controls; they were conducted under the general EU or international legal provisions permitting exchange of information. But from 1998 their use was promoted by funding from Fiscalis. The success of these trials of MLCs was cited as a principal reason for the introduction of the 2004 provisions of providing for their use under Regulation 1798/2003/EC, and under Directive 77/799/EEC as amended by Directive 2004/56/EC.
- Information obtained through the case studies indicated that multilateral controls enhance cooperation and that they are of importance. However the use of this tool varied and it was indicated that there is room for more activity, as there still is a lack of awareness in regards to the usefulness of MLCs on the part of those senior managers responsible, including how to organise one and that there are funding possibilities. One respondent suggested that the form of MLCs has changed, as MLCs are now used in fewer, yet larger cases. Another respondent pointed out that there are problems with MLCs that are separate from Fiscalis, particularly resulting from formalities for the exchange of information, which slow down the operation of MLCs and therefore limit their value. It is noted that the procedures have been recently simplified, and it should be pointed out the number of MLCs has increased when compared with the previous Fiscalis Programme.
- It is noted that as almost all formalities in relation to conducting MLCs were dismantled in the new Fiscalis. The use of MLCs may not be as high as it could be as there are now better possibilities to exchange information which makes it less urgent to undertake full controls.

***Judgment Criterion: Degree of direct access to VIES and excise IT systems at national level***

- VIES: Feedback from the case studies indicate that there is agreement that it is easy to provide those officials who need access to VIES with access. Furthermore, 60% of the responses to the information request indicated that staff is provided with direct access. Furthermore, there is an indication that new Member States have been quick to take advantage of the VIES system. Limited feedback from the E-survey

<sup>10</sup> Note: We are told that the number of SCAC form CCN mail messages exceeds the number of SCACforms initiated by CCN-mail, but that most of the messages relate only to requests and replies. This suggests that there are likely to be about three times as many messages as forms. There were 18,000 SCACforms issued manually or by CCN-mail in 2003 and 18,000 CCN SCAC form messages in 2003, suggesting that something like 6,000 SCACforms may have been issued over CCN-mail. If one applies the same reasoning to the figures of 2004, where 100,000 SCAC form CCN-mail messages were transmitted, that would imply that some 33,000 SCACforms were issued via CCN-mail. Even if the number of messages per SCACform went up to 5 in 2004, this would still indicate some 20,000 SCACforms being issued by CCN-mail. The 2004 data therefore give a good indication of an increase in the number SCACforms issued. Some of this increase may have been due to the accession of the new Member States in May of 2004, and some may be due to normal variations in demand, but there is a distinct possibility that there was a further increase which could have been explained by a positive reaction to improvements in the SCACform.

results also indicated that there has been an increase in the number of VIES messages.

**Judgment Criterion:** *Satisfaction with usefulness of information provided (taking into account the temporary nature of the excise IT systems)*

#### **VIES**

- Feedback shows that there is universal agreement that VIES is a useful tool, with one fourth of the respondents to the Information Request showing concerns about the accuracy of the information input to VIES. Seven out of twenty-six (27%) respondents also had concerns about whether the information is input and updated on a timely basis.

#### **SEED**

- While there was strong support for the usefulness and quality of the information provided by SEED, one fifth (22%) of the respondents disagreed. Generally, the information request also shows that there is agreement that the information in SEED is updated on a timely basis. However it was reported that five out eighteen respondents (27%) were dissatisfied with the accuracy of the information provided.

#### **MVS/ EWSE**

- Feedback showed that there is strong agreement among respondents that the information in MVS and EWSE is updated on a timely basis. There is also similar agreement regarding the accuracy of the information. Although all respondents agree that MVS provides an effective means of exchanging information that is useful to detect irregularity, three out of fifteen respondents disagree that EWSE is effective in this manner.

It is expected that the existing excise IT systems will be replaced by the new EMCS system in the near future. The procedures related to the implementation of EMCS should help to address concerns about the effectiveness of the existing systems. Even though it is challenging to isolate the extent of a Fiscalis contribution to the use of the IT systems, it is quite clear that VIES has been developed under Fiscalis and that both VIES and SEED are to be used by Member States. Evidence shows that both IT and non-IT tools for mutual assistance and administrative cooperation developed under and funded by Fiscalis are contributing positively to the enhancement of cooperation among the Participating Countries.

<b>ACHIEVEMENT OF EFFICIENT, EFFECTIVE AND EXTENSIVE COOPERATION AMONG MEMBER STATES IN VALUE ADDED TAX AND EXCISE DUTIES</b>	
<b>CONCLUSIONS</b>	<b>RECOMMENDATIONS</b>
<p><b>Degree of satisfaction with contribution of Fiscalis to enhanced cooperation</b> <i>Observable relationship between Fiscalis activities and degree of use of non-IT tools for information exchange and mutual assistance</i> <i>Degree of direct access to VIES and excise IT systems at national level</i> <i>Satisfaction with usefulness of information provided (taking into account the temporary nature of the excise IT systems)</i></p> <p><b>Satisfaction with contribution of Fiscalis to enhanced cooperation</b></p> <ul style="list-style-type: none"> <li>• Fiscalis is only one of the vehicles available to enhance cooperation among Participating Countries in the field of taxation, and it is therefore difficult to quantitatively measure the impact of Fiscalis. At a qualitative level, it has been found that Fiscalis National Coordinators and Fiscalis Coordinators believe that Fiscalis has been very important in enhancing cooperation.</li> <li>• Multilateral controls qualitatively enhance cooperation and are of importance. Indeed in one sense multilateral controls can be regarded as one of the success stories of the Fiscalis Programmes.</li> <li>• It is relatively easy to provide VIES access to those officials who need it. It is not possible to get a quantitative indication of the degree of access to VIES, but the increase of the number of VIES messages means that they now represent, by far, the most important part of the CCN/CSI message traffic.</li> </ul>	<ul style="list-style-type: none"> <li>• The difficulty of identifying and collecting further quantitative information suggests that it is necessary to develop indicators and to monitor them on a regular basis. <i>(See introductory note on Indicators and Monitoring.)</i></li> <li>• In light of the conclusion of this evaluation, it appears that both the IT and non-IT tools for mutual assistance and administrative cooperation developed under and funded by Fiscalis are contributing positively to the enhancement of cooperation among the Participating Countries. The support provided for these tools should continue to be an important element of Fiscalis in the future. <i>(See Evaluation Questions 8 and 9 for conclusions and recommendations on the detailed relationship between Fiscalis and the IT systems.)</i></li> <li>• Increasing the use of multilateral controls may be achieved by further enhancing the appreciation of their usefulness.</li> <li>• It could also prove useful to promote successful cases and use these to more widely communicate the value of multilateral controls and the other tools during senior management conferences in order to further increase the awareness and effective use of Fiscalis joint action. However, that awareness needs to be promoted at all levels, it should be noted that this is not only a problem of awareness but also resources and national priorities. <i>(See Recommendation regarding Senior</i></li> </ul>

<ul style="list-style-type: none"><li>• There is satisfaction with VIES and with the notion that SEED is useful, and agreement that MVS provides an effective means of information exchange; however, in contrast with satisfaction of the technical aspects of these systems, there is some concern about the accuracy and the quality of information being inputted into the system. There was also some concern about effectiveness of EWSE to exchange information adequately to enable detection of irregularities.</li><li>• It is expected that the existing excise IT systems will be replaced by the new EMCS system in the near future. The procedures to be put in place for the implementation of EMCS will provide an opportunity to address these concerns about the effectiveness of the existing systems.</li><li>• Generally, it is difficult to isolate the extent of a Fiscalis contribution to the use of the IT systems. This is particularly true of VIES and SEED, which Member States have an obligation to use. However, it is clear that VIES Internet has been developed under Fiscalis.</li><li>• Even though definite conclusions are difficult to reach, the evidence obtained in this evaluation suggests that both the IT and non-IT tools for mutual assistance and administrative cooperation developed under and funded by Fiscalis are contributing positively to the enhancement of cooperation among the Participating Countries.</li></ul>	<p>Management under Evaluation Question 6.)</p> <ul style="list-style-type: none"><li>• In order to facilitate the use of the senior management conference a definition of “senior manager” should be developed to refer to senior officials in each tax administration responsible for ownership of the administration’s participation in the Fiscalis Programme.’ The evaluation team developed definitions of “Fiscalis National Coordinator” and “Fiscalis Coordinator” (see <i>Appendix 10 – Glossary</i>) in order to assist in identifying relevant stakeholders for the case studies and E-survey; however, these or similar definitions may also be useful in the context of the management of Fiscalis.</li></ul>
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#### **5.4.4 Improvement of administration procedures to better address the needs of the administrations and the taxpayers by development and diffusion of good practice**

**Evaluation Question 6:** To what extent has the Programme helped to ensure the continuing improvement of administration procedures so as to better take into account the needs of the administrations and the taxpayers, by the development and the diffusion of good administrative practices?

#### **KEY FINDINGS**

##### **Judgment Criterion:** *Extent of dissemination of good practices through Fiscalis to and within Participating Countries*

- Feedback from the E-survey as well as the case studies illustrated that there is the general acknowledgement that dissemination of good practices is of key importance. Over 60% of participants reported that they disseminate information to managers, some 80% to colleagues and over 27% to staff. Some 90% of Fiscalis National Coordinators surveyed also believed that information was effectively disseminated.
- Feedback from the case studies generally supports these findings. Nevertheless, although it was often reported that there is at least dissemination at an informal basis amongst close colleagues, feedback also indicated that there are very different formal structures in place not only between Participating Countries, but even within a single administration. Interviews conducted during the case studies also indicated that the differences in dissemination are brought about by the differences in participants, for example a policy official may have a greater impact on dissemination than enforcement or control related official.
- Various structures were identified, for example from paper based reports which are archived without further distribution, to intranet based reports and presentations made to relevant colleagues from across the tax administration. During the case studies it was found that in some countries further measures as part of dissemination included identifying best practices combined with procedures to follow up the extent to which it had been possible to implement them within the administration.

##### **Judgment Criterion:** *Satisfaction of stakeholders with improvement of tax administration procedures and practices through Fiscalis*

- Survey results also show that over 95% of Fiscalis National Coordinators believe that Fiscalis activities lead to improved practices and sharing of best practices amongst Participating Countries. These findings were confirmed according to individuals interviewed during the case studies. Examples put forward where Fiscalis activities have led to improved practices were: VAT tax fraud (carousel fraud/missing

trader fraud), risk analysis, E-audit.

- Face to face interviews revealed that at the level of individual participants the effect of Fiscalis joint actions on the continuous improvement of administrative procedures and practices has ranged from developing new ideas, applying new knowledge and using the knowledge, to improving practices and directly applying practices learned in Fiscalis. A key benefit highlighted by both participants and Fiscalis National Coordinators was that of the informal networking that results from many of the joint actions. It should be noted that it is difficult to differentiate between improvements relating to administrative procedures and practice which flow from the actions of individuals or the actions of an administration.

***Judgment Criterion: Satisfaction with work/results of Project Groups (broken down by Project Group where feasible)***

- Findings from the information request indicated a high degree of satisfaction with results of the Project Groups: management of Fiscalis, multilateral control manual, E-audit, IT meetings on VIES II, and CCN upgrade. These Project Groups were highlighted by many Participating Countries as being particularly useful. All other groups except the Food Project Group (which apparently has not so far met) are also rated positively. Feedback also indicated that Participating Countries were satisfied with the form in which Project Groups assisted Participating Countries in improving respective issues within their national administrations.
- Other specific positive results were: the E-audit Project Group, as it has widely disseminated best practice and knowledge, and has helped to set up a European network; the Language Training Project Group which will provide a glossary/dictionary of indirect taxation terms; the work of the Multilateral Control Project Group, including the new multilateral control guide, which has generated greater awareness of the value of multilateral controls.

***Judgment Criterion: Level of integration of best practice into own practice of the national administrations***

- Based on the information request and feedback derived from the case studies, the evaluation identified three categories of Participating Countries. First, those countries where national administrations have successfully integrated a range of improvements due to participation in Fiscalis. Second, countries where it would be difficult to expect changes from tax administrations under current national conditions and where the suggestions from Fiscalis could not easily be integrated into daily work practices. Third, countries which are already in the process of improving internal procedures to facilitate the implementation of good practices, for instance by improving intranets, developing new dissemination procedures or revising the national management structures for Fiscalis participation.
- Fiscalis has produced the following types of publications: guides and handbooks related to best practices, guidance papers, input to legislative development, administrative forms, inventories, directories and contact lists.

- In total in 2003 and 2004 Fiscalis 2007 published 18 new or updated best practice guides and other publications. So far 6 publications are planned for 2005. Typically 4 new guides and handbooks are published each year.

Ownership of a country's participation in Fiscalis by senior level managers in many cases appears to be limited. This results in a lack of strategic management focus regarding a) sending participants to Fiscalis Activities b) disseminating information c) follow up and incorporating the results of activities into the practices of the administration.

**Judgment Criterion:** *Degree of development and use of IT systems (taking the examples of VIES on the Internet and VAT E-services) reducing the burden for the taxpayers and the tax administration*

- The most common means by which national tax administrations have informed traders about the availability of VIES on the Internet are through links on the administration's website and informing traders when they apply for validation of a VAT number. Over half the countries responding also used leaflets or circulars. Three countries also used wider public information campaigns, for example in newspapers. One country had taken no special steps.
- The availability of VIES on the Internet is very good. The Community components have a typical availability of over 99 per cent. Availability for the Member State components is close to that level, and has been assisted through Fiscalis in the form of support and technical assistance from the Commission and its IT contractor.
- The number of requests is reported to have been increasing, although the trends in the raw data are obscured by some extraneous events. Principal factors behind the increase are reported in the information request to the Commission to have been the accession of the New Member States, and the addition of name and address information in the requests addressed to those countries agreeing to provide this information
- The use of the VAT E-services system increased substantially in 2004 over 2003 (even allowing for the fact that the system only came into effect in July 2003), and a small increase is continuing in the early figures for 2005. Given the range of types of messages used under this system, most of the increase may well merely indicate that it took time for users to adapt fully to the new system.

**Judgment Criterion:** *Trend in burden for tax administrations through VIES on the Internet (taking into account that not only Fiscalis has influence on this)*

- VIES on the Internet was developed under the Fiscalis Programme.
- The accuracy of VIES on the Internet seems to be high. 95% of the respondent indicated that the information provided by VIES on the

Internet is accurate and correct.

- There is strong support in nearly all countries responding for the value of VIES on the Internet in reducing burdens on both administrations and taxpayers. The use of VIES on the Internet has been increasing very significantly year on year. This should mean that an increasing proportion of the requests from traders for VAT number verification are made directly on the internet rather than by request to the tax administration; however, insufficient data was available to confirm this.

<b>IMPROVEMENT OF ADMINISTRATION PROCEDURES TO BETTER ADDRESS THE NEEDS OF THE ADMINISTRATIONS AND THE TAXPAYERS</b>	
<i>CONCLUSIONS</i>	<i>RECOMMENDATIONS</i>
<p><b>Fiscalis has contributed to the dissemination of good practices; however, there are limitations in the quality of priority setting, follow up and senior management ownership</b></p> <ul style="list-style-type: none"> <li>• Generally, building on conclusions from Evaluation Question 4 there was widespread agreement that information and knowledge attained during Fiscalis activities led to the dissemination of good practices among Participating Countries. The degree of dissemination varies based on the role and level of individual participants within their respective administrations as well as the dissemination practices and structures of the administration.</li> <li>• In some cases there seems to be a problem of priority setting. For example, topics of activities do not always reflect immediate national priorities and therefore dissemination and follow up is not given much importance. It is however noted that it is not always easy to respond to immediate priorities of all 28 Participating Countries.</li> <li>• Ownership of a country's participation in Fiscalis by senior level managers in many cases appears to be limited. This results in a lack of strategic management focus regarding a) sending participants to Fiscalis Activities b) disseminating information c) follow up and incorporating the results of activities into the practices of the administration.</li> </ul>	<p><b>Improve dissemination channels by supporting the dissemination needs of the tax administrations</b></p> <ul style="list-style-type: none"> <li>• Providing more structure and support in the national administrations for effective dissemination, for example by providing access to reports of seminars and exchanges; as well as developing more tailor made exchanges, would further support the dissemination of information and good administrative practice.</li> <li>• It is important to continuously promote a high degree of ownership at the senior level, possibly by hosting high level seminars, in order to allow for the strategic management of Fiscalis, not only individually at the Participating Country level, but also jointly at the Programme level.</li> <li>• A pragmatic approach to promoting dissemination could be the development of a guide for the dissemination of best practices of administrative procedures. It would ease the learning curve for Participating Countries that are developing new dissemination procedures.</li> <li>• In order to facilitate the use of the senior management conference a definition of "senior manager" should be developed to refer to senior officials in each tax administration responsible for ownership of the administration's participation in the Fiscalis Programme. The evaluation team developed</li> </ul>

**Stakeholders recognise limited improvement of tax administrative procedures and practices, with important benefits achieved through networking**

- Qualitative indicators show that many participants are satisfied that Fiscalis has improved tax administrative procedures and practices; however, evidence from the case studies indicated that the extent of the improvements was limited. It seems that in many cases improvements at national level are limited to those resulting from the actions of participating individuals within their own sphere of influence.
- Many improvements in administrative procedures and practices are based on the benefits of personal networks developed during and after joint actions.

**High level of satisfaction with work and results of Project Groups**

- There is a high degree of satisfaction with the work done by the Project Groups. In particular, it is reported that the Project Groups provide a useful means of comparing one country's approach with another's. They also improve networking between the officials involved.

**Level of integration of best practice into national administrations varies widely, and comparison are hard to assess**

- Determining the level of integration of best practices into national administrations is very challenging, due to a lack of agreed qualitative as well as quantitative indicators. Impressions from stakeholders suggest a 'patchy' integration level of best practices into national administrations taken across countries. Integration of best practices significantly increases the benefit of the Programme. This situation has elements similar to the issues found in respect of dissemination of Fiscalis results.

definitions of "Fiscalis National Coordinator" and "Fiscalis Coordinator" (see *Appendix 10 – Glossary*) in order to assist in identifying relevant stakeholders for the case studies and E-survey; however, these or similar definitions may also be useful in the context of the management of Fiscalis.

**Consider how tax administrations might be supported in efforts to increase integration of best practices**

- Consideration should be given as to whether there are steps by which advice or support could be provided through the Programme to assist Participating Countries in integrating into their national tax administrations best practices identified in Fiscalis activities. Some of the types of measures proposed above to assist dissemination may also be relevant here.
- The lack of agreed qualitative as well as quantitative indicators and judgment criteria needs to be addressed. Examining this issue in detail would crystallise the business objectives and rationale of Fiscalis and assist in better understanding the strengths and weakness of the Programme. Developing a Project Group to do so could be a possible way forward. For further detail on judgment criteria please refer to Section 5.2.

**Effective development and use of new VAT IT systems**

- The IT systems most recently developed under Fiscalis, VIES on the Internet and VAT on E-services, are actively used. Moreover, the accuracy of the information provided by VIES on the Internet is widely recognised. They have good availability. Nearly all Member States have undertaken positive measure to promote the use of VIES on the Internet. The level of use of these systems is determined first of all by the obligations imposed on traders and Member States and by the level of relevant transactions. However, the evidence is consistent with the conclusion that the development and implementation of these systems with support from Fiscalis has been successful.

**Expected reduction in burden for tax administrations through VIES on the Internet could not be confirmed**

- VIES on the Internet, developed under Fiscalis, appears very likely to reduce the burdens on both administrations and taxpayers; however, it was not possible to measure precisely the extent of the reduction of the administrative burden on taxpayers. What is known is that the use of VIES on the Internet has increased significantly.

#### **5.4.5 Achievement of objectives of direct taxation activities by information exchange in mutual assistance and applicable Community law**

**Evaluation Question 7:** To what extent have the activities in direct taxation achieved their objectives, *i.e.* supporting information exchange in the field of mutual assistance and raising awareness of applicable Community law?

#### **KEY FINDINGS**

**Judgment Criterion:** *Satisfaction of stakeholders with Fiscalis activities aiming at increasing the use of information exchange, making cooperation easier and increasing awareness of applicable Community law, and with their positive results.*

- Among E-survey respondents 85% agreed or agreed strongly that Fiscalis funded activities have made it easier to cooperate among Participating Countries and that this cooperation has had positive results. Of these nearly 40% agreed strongly with these statements and only one respondent out of 33 disagreed. Some 82% also supported the statement that Fiscalis has increased the support for information exchange in the field of direct taxation. These activities also have led to an increased awareness of applicable Community law according to 91% of respondents.
- The case studies pointed out that the activities in direct taxation have just started and that they have been concentrating on issues clearly covered by Community legislation (*i.e.* transfer pricing, multilateral controls including direct taxation and the discussion about using CCN/CSI for information exchange). Most countries expressed the need for more activities in direct taxation in the future. Some of the case studies have also showed that there is a lack of awareness and visibility of Fiscalis activities in this area. Feedback received on activities regarding taxes on insurance premiums were stated as being of low priority, but respondents from several countries mentioned that they supported the continuing inclusion of these taxes within the scope of the Programme. One respondent suggested that low priority taxes, such as taxes on insurance premiums, should be dropped from the Programme to ensure that the Programme remained well focused.

**Judgment Criterion:** *Quantity of actions implemented in direct taxation*

- According to the Commission there were only three (3) actions in 2003 and two (2) in 2004 in the field of direct taxation. Since direct taxation was first included in Fiscalis with the start of the present Programme in 2003, there has been relatively little time for Participating Countries to develop and present proposals in this field.

- According to feedback from Fiscalis National Coordinators via the E-surveys as well as from the case study visits, there is a high degree of interest in further enhancing activities in the area of direct taxation.

***Judgment Criterion: Increased information exchange in direct taxation***

- In regards to the effect of Fiscalis improving the use of information exchange the overall finding is that Fiscalis should be more active in supporting this area by facilitating cooperation. There is the perception that Fiscalis only operates within an informal network of practitioners. Furthermore, the E-survey showed that nearly all respondents agreed that Fiscalis has increased information exchange in the field of mutual assistance.
- In response to the information request, 17 Participating Countries reported data on the number of mutual assistance requests in direct taxation; however, qualitative responses indicates that there are open questions as to the definition and form of measurement in counting mutual assistance requests, which limit the value of the data.

<b>ACHIEVEMENT OF OBJECTIVES OF DIRECT TAXATION ACTIVITIES BY INFORMATION EXCHANGE IN MUTUAL ASSISTANCE AND APPLICABLE COMMUNITY LAW</b>	
<b>CONCLUSIONS</b>	<b>RECOMMENDATIONS</b>
<p><b>Good level of satisfaction of stakeholders with Fiscalis activities in direct taxation</b></p> <ul style="list-style-type: none"> <li>• A very limited number of activities have been held in the area of direct taxation. However, it appears that, although some stakeholders are reluctant, others would like to see more work in this area, particularly regarding information exchange.</li> </ul> <p><b>Quantity of actions implemented in direct taxation</b></p> <ul style="list-style-type: none"> <li>• Three (3) actions in direct taxation were implemented in 2003 and two (2) in 2004; 2003 being the first year of the present Fiscalis Programme. This figure is, therefore, not necessarily indicative of the underlying demand in Participating Countries for joint actions in this field.</li> <li>• Since direct taxation was first included in Fiscalis in 2003, there have been few measurable results; however, Fiscalis National Coordinators generally perceived the objective as relevant and there is demand for future activities.</li> </ul> <p><b>Increased information exchange in direct taxation not necessarily linked to Fiscalis</b></p> <ul style="list-style-type: none"> <li>• With the available data it was not possible to assess whether the Fiscalis activities have any influence on the number of mutual assistance requests in direct taxation as there is no standard approach to defining mutual assistance requests and measuring the numbers of requests received. In particular, some but not all Participating Countries do not keep separate records for requests</li> </ul>	<p><b>Reflecting satisfaction with direct taxation objective by promoting further actions</b></p> <ul style="list-style-type: none"> <li>• There is common interest in this area and joint actions could be promoted, based on further information about the priorities of Participating Countries in the administration of direct taxation.</li> </ul> <p><b>Measuring impact of Fiscalis in direct taxation requires availability of improved indicators</b></p> <ul style="list-style-type: none"> <li>• Results measurement remains a pending issue which should be addressed in the short term to capitalise the benefits of information exchange in mutual assistance and applicable Community law. For more details on how to address this issue, please view the general recommendation on developing a monitoring system in Section 5.2</li> </ul>

under the Mutual Assistance Directive (77/799/EEC) and for requests under double taxation treaties.	
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#### 5.4.6 Communications and information-exchange systems

**Evaluation Question 8:** To what extent has the Programme helped to ensure that the listed communications and information-exchange systems are operational?

#### KEY FINDINGS

**Judgment Criterion:** Degree of satisfaction with interconnectivity and interoperability of the Community part of the communication and exchange information systems

- In the E-survey there was high satisfaction with the interconnectivity and interoperability of the IT systems; however, half of the respondents replied “Don’t know”. The results of the case studies were consistent with these results, where respondents viewed the IT systems as working very well in terms of interconnectivity and interoperability. Follow up interviews further confirm this finding.

**Judgment Criterion:** Degree of satisfaction with technical specifications for VIES, the excise systems and CCN/CSI

- All of the E-survey respondents who expressed an opinion agreed that the IT systems had met expectations, and that they provided a good network for the exchange of information.
- Overall, a majority of Participating Countries is satisfied with the technical specifications for VIES, the excise systems and CCN/CSI. However, there were a number of concerns mentioned. One New Member State found the specification for VIES to be lacking in necessary detail. Another described the process of IT development as well organised but slow moving. It was noted that the CCN/CSI lines are reaching the limit of their current capacity in one Member State, but that this is in the process of being increased significantly (through an increase in speed).
- The needs for new developments to VIES and CCN/CSI that were mentioned by respondents were generally items that are currently being actioned. The upgrading of VIES is part of the VIES II project. That project seeks to implement, the conclusions of these two feasibility studies which includes four shutters: the One-stop shop, the Quality of Data, the Exchange of Forms and the extension of VIES to services in the context of the change in the place of supply of B2B services, but these developments depend on the adoption of new legislation by the Council.

- One Participating Country remarked that the IT standards are developed through SCAC/SCIT, not through Fiscalis, which is only the financing body. While it is understood that this is a correct description of how IT technical standards are currently managed, the context of this must be noted. Feedback from DG TAXUD to the information request describes the Fiscalis Committee as the body that also approves the introduction of a new IT system, and the groups that undertake development of IT systems, especially feasibility studies for new systems, have often been set up as Fiscalis Project Groups. In addition, the Fiscalis Decision typically provides the legal basis for the Community components of the IT systems, and provides the legal basis for CCN/CSI. This therefore implies that the evaluation could consider the extent of the role played by Fiscalis in the development and operation of the IT systems. (*For more detail, see Evaluation Question 9 on the role of the Fiscalis Committee.*)

***Judgment Criterion: Degree of satisfaction with national support to operate the systems sufficiently***

- While most respondents to the E-survey agreed that the IT systems were well integrated into the national systems, nearly one-half did not address the question and 10% disagreed. This suggests that the experiences of Participating Countries are varied. Similarly, there were very few responses on integration in the case studies.
- Feedback during the case studies indicated that some older Member States were reluctant to adapt their own systems in advance of the completion of Community components. Additional feedback indicated that the complexity of the current systems made it more difficult for some Member States to make adaptations to their own systems, but that steps were being examined that could simplify and increase the flexibility of the basic system in the new VIES 2 system. In the information request a number of respondents noted that it is still the case that not all Member States are submitting the SCACforms by CCN-mail, and that not all use the correct referencing system. There were also suggestions that it would be preferable for the forms to be transmitted in XML format rather than in MS Word.

<b>COMMUNICATIONS AND INFORMATION-EXCHANGE SYSTEMS</b>	
<i>CONCLUSIONS</i>	<i>RECOMMENDATIONS</i>
<p><b>High interconnectivity and interoperability for the Community part of the IT systems</b></p> <ul style="list-style-type: none"> <li>The existing IT systems are operated to a high standard of interconnectivity and interoperability.</li> </ul> <p><b>Broad satisfaction with technical specifications for VIES, the excise systems and CCN/CSI, and with the upgrades being developed</b></p> <ul style="list-style-type: none"> <li>The existing IT systems also meet their technical specifications. In a number of cases (VIES, CCN/CSI) the specifications currently in use are relatively old, but they are in the process of being updated.</li> </ul> <p><b>Important role of national support in the operation of the IT systems</b></p> <ul style="list-style-type: none"> <li>Levels of integration of the IT systems appear to vary greatly. While Participating Countries have to balance their reactions to the requirements of developments in the Community IT systems with the needs and standards of their own established IT systems, the operation of the Fiscalis-funded IT systems will be compromised on the introduction of new developments, if Participating Countries are unable to make arrangements to implement the new developments in line with agreed schedules. This has been a significant issue on a number of occasions. The development of the IT systems needs to give appropriate attention to having simple structures that will facilitate this.</li> </ul>	<p><b>Need to monitor status of legal basis for VIES 2</b></p> <ul style="list-style-type: none"> <li>The upgrading of VIES II (implementation of VIES II Feasibility Study conclusions) as currently proposed includes elements that are dependent on the adoption of substantive VAT legislation, but the upgrade also includes a number of other needed important improvements. Consideration should be given to the appropriate strategy to be adopted if the progress of the substantive legislation is slow, such as proceeding to implement the other aspects of VIES II.</li> </ul> <p><b>Development of the IT systems should facilitate new developments, and Participating Countries should be prepared to implement them</b></p> <ul style="list-style-type: none"> <li>Having simple structures for IT systems that are relatively easy to adapt so that they can accommodate agreed new developments should be an express criterion used in the development of Community taxation IT systems.</li> <li>Linked to this, Participating Countries should be prepared (and expected) to implement agreed new development in a timely fashion in accordance with any agreed timelines, subject to the influence of factors beyond their control. The procedures under the EMCS Decision (1152/2003/EC) may be a helpful example.</li> </ul>

## 5.5 EFFICIENCY ANALYSIS: Conclusions & Recommendations

### 5.5.1 Organisational and management procedures

**Evaluation Question 9:** In what way have the existing organisational / management procedures helped or hindered in achieving the objectives of the Programme?

#### **KEY FINDINGS**

##### **Background**

- In a change from the original Fiscalis Programme, Fiscalis 2007 introduced an emphasis on the application of objective-based management to all aspects of the Programme. This requires that objectives should be formulated in advance for each event, and that the outcome of the event should be evaluated in relation to these objectives. A new management framework was developed to achieve this, centred on the annual Action Plan mandated by the Fiscalis Decision, article 3(3). Another aim of this new framework was to streamline communication between the parties involved in the Programme.

##### **Judgment Criterion:** *Reduction of administrative burden for users of Fiscalis 2007*

- There was agreement that the new management procedures in Fiscalis 2007 had reduced the administrative burden for Fiscalis Coordinators, but some 40 per cent disagreed. However, there was no evidence of any specific problems. Comments from one Participating Country respondent to the information request suggested that the new procedures introduced with this Programme have brought a distinct improvement in the administrative burden, but that this has been offset to a degree by the increased level of activity in the Programme. Another respondent to the information request stated that the burden of implementation had increased. It is noted that carrying out the Fiscalis Programme means that more resources need to be allocated.

**Judgment Criterion:** *Quality of overall management (planning, transparency, flexibility, relationship to other committees, decision making)*

- All national Coordinators responding to the E-survey were of the opinion that the Fiscalis Committee manages its operation well, in particular the process of selecting proposals for inclusion in the Action Plan. Its decision-making processes were viewed as transparent, and the Committee was said to provide the Programme with effective leadership. It was also considered as being flexible enough to meet the needs of the different Participating Countries. The only issue on which some disagreement appeared was on whether the Fiscalis Committee has good working relationships with other committees (e.g. SCAC, SCIT, VAT, excise duties, etc.).
- The findings from the case studies were consistent with these results:
  - **Planning, transparency and flexibility:** There was general agreement that the process of selecting proposals was flexible and transparent, although one Participating Country had concerns about the selection of countries to participate in Project Groups. Another Participating Country suggested that it would be helpful to have more detail in proposals. A criticism from a number of Participating Countries was that some countries are not very active in making proposals (usually the country making the comment was referring to its own record). One Participating Country commented that there were a number of areas in which further improvements to the management process could be made: objectives for activities need to be clear and business-focussed from the start; and improvements in post-activity evaluation are needed to ensure that the extent to which the activities have responded to the operational needs of Participating Country tax administrations is properly assessed. It was noted during interviews conducted at the Commission that the arrangement of activities in the Action Plan is often more convenient than fully objective based, but the present arrangement has the advantage that all those involved are readily able to locate activities from revision to revision of the Action Plan.
  - **Decision making:** The overall management of the Programme through the Fiscalis Committee was perceived to be effective and transparent, and to be providing good leadership, although two Participating Countries from the case studies commented that greater participation by members of the Committee should be encouraged.
  - **Relationship to other committees:** Under the previous Programme, Fiscalis was managed by SCAC. A separate Fiscalis Committee was created under the Fiscalis 2007 Decision because the addition of direct taxes to the scope of the Programme meant that it would not be appropriate for SCAC (an indirect tax committee) to continue to manage the Programme, and to improve the management process of the Programme. Two countries in the case studies agreed that the relationships with other committees, such as SCAC, SCIT, etc. are good, but one Participating Country was concerned that the overlapping responsibilities of the committee could result in duplication or conflicting priorities.
  - The number of committees advising the Commission in the field of tax administration reflects a number of factors. There are now

three separate legislative acts on mutual assistance/administrative cooperation for VAT, excise duties, and direct tax and taxes on insurance premiums, respectively (the Regulation for excise duties will come into force on 1 July 2005), and each act has its own Comitology arrangements. For VAT there is a committee dealing specifically with administrative cooperation (SCAC), for excise duties there is a committee which also has responsibilities in respect of other administrative matters (Excise Duties Committee), but for direct taxes and taxes on insurance premiums the legislation has provision for the use of committees without establishing one. However, there is a committee for all taxes under the Tax Recovery Directive (76/308/EEC). The Fiscalis 2007 Decision and the EMCS Decision have been adopted under article 95 EC, whereas all of the legislation in the field had to be adopted under Treaty article 93 or 94 EC has legislation on taxation. However, legislation adopted under article 95 EC has the advantage that it can contain a set budget commitment. As a result, financing can readily be provided under the Fiscalis Decision. The Fiscalis Committee has not been involved with the technical side of the operation of the Community components of the IT systems, which has instead generally been dealt with by SCIT, a committee established under SCAC.

- The Fiscalis Programme is responsible for providing funding for the Community components of the IT systems that come under the Fiscalis Decision. In addition at least part of the work of developing new IT systems (notably feasibility studies) is funded by Fiscalis and are organised as Fiscalis activities. When organised as Project Groups or IT events, these activities require approval through the Fiscalis Committee approval (see the Fiscalis Management Handbook). The inclusion of a new operational IT system within the scope of the Fiscalis Programme also requires such approval under article 5(1) (f) of the Fiscalis Decision. Given that the IT systems other than CCN/CSI all have principal legal bases outside the Fiscalis Decision, and that the review of the technical aspects of the IT systems is the responsibility of other committees such as SCIT, the role of the Fiscalis Committee on IT matters can appear purely formal, even though IT spending constitutes about two-thirds of the Fiscalis budget. It should be noted, however, that these other legal bases nearly always impose obligations to establish IT systems only on Member States. The legal basis for the Community components of these IT systems is therefore the Fiscalis Decision. (The exception is the VAT on E-services system and the upgrades to CCN/CSI needed for its implementation, both of which were required by Regulation 218/92/EEC, article 13(1) – see now Regulation 1798/2003/EC, article 39.)
- The new excise movement control system (EMCS) does not come under Fiscalis. A separate Decision was adopted to provide funding for this IT system. It is understood that this was principally because the budget of the previous Fiscalis Programme was not sufficient to support EMCS. The EMCS Decision (Council Decision 1152/2003/EC) includes provisions permitting the Commission and the Excise Duties Committee to agree master and management plans for the establishment and running of EMCS with obligatory completion dates for particular tasks, as well as other provisions designed to ensure that the interoperability of the system be maintained on the both the Community and Member State sides.

**Judgment Criterion:** *Quality of follow up actions in place (monitoring of achievement of objectives of the Action Plan)*

- There was full agreement that the follow up actions in place to monitor the achievement of the Action Plan objectives are useful. However, some difficulty was experienced in the course of the evaluation in obtaining suitable materials from the records of the monitoring actions to verify these findings.

***Judgment Criterion: Quality of communication***

- Most agreed that the Management Handbook had improved communication within the Programme.

***Judgment Criterion: Quality of procedures for and funding of hosting an activity***

- The case studies indicate broad satisfaction with the procedures for and funding of hosting an activity. Three countries noted that the assistance of DG TAXUD was valuable in organising activities. Three countries commented on the burden in terms of limited human resources that organising activities imposes. Exchanges were specifically mentioned as being resource demanding, but it was also mentioned that good organisation and targeting of an exchange is important. The team management approach to national organisation of Fiscalis activities is seen to be good, but is not always feasible for a small country. No concerns were expressed about the general level of funding, but some countries were concerned that the amounts allowed were not sufficient to organise events in large capital cities, which meant that additional travel to regional centres had to be arranged. One country commented that the financial procedures were clear.

<b>ORGANISATIONAL AND MANAGEMENT PROCEDURES</b>	
<i><b>CONCLUSIONS</b></i>	<i><b>RECOMMENDATIONS</b></i>
<p><b>Reduction of administrative burden for users of Fiscalis 2007</b></p> <ul style="list-style-type: none"> <li>It appears that there has been an overall reduction in the administrative burden under the new management framework, but the reduction has not been felt by all countries. In part this appears to be because there has also been an increase in activity. However, the controls in the new framework designed to ensure quality could also have the effect of creating additional burdens, depending on the way in which they are implemented.</li> </ul> <p><b>Quality of overall management is sound, with possibilities for further improvement</b></p> <ul style="list-style-type: none"> <li>The quality of overall management of the Fiscalis 2007 Programme under the new focus on objective-based management is good. It may be possible to improve it further, which is consistent with the principle that the management procedures are not static but are intended to be revised in light of practice. While the present arrangement of the Action Plan has the advantage of being familiar to those involved, in some cases it does not bring out the relationship between activities in achieving the objectives of the Programme.</li> </ul>	<p><b>Steps to ensure that reduction of administrative burden is achieved and maintained</b></p> <ul style="list-style-type: none"> <li>It is vital that the Programme unit further simplifies the administrative burdens for Participating Countries. However, it is noted that with increased activities the administrative burdens will change accordingly. The Commission should continue to be ready to ensure that any national concerns about the burdens imposed by the new management procedures are met by ensuring that the management procedures have been clearly communicated, or, if necessary, by revising them.</li> <li>While the new management framework has been effective, consideration should be given as to whether experience and the new information on the administrative priorities of Participating Countries that is being collected is done so in ways in which the Action Plan can be revised to identify more clearly the relationships between effect of activities and how they contribute to achieving the objectives of the Programme.</li> </ul>

**Fiscalis Committee appears to function well with other committees, despite a complex structure of EU committees in tax administration**

- The relationships between the Fiscalis Committee and the other committees appear to be good. The structure of responsibilities of the various committees operating in the field of tax administration can be further defined and communicated to participants of these Committees. It is important to note that from a legal perspective under Comitology the Fiscalis Committee and the other committees do not strictly speaking make decisions, they only provide opinions on proposals made by the Commission. The Commission is therefore well placed to ensure that there is good co-ordination between the committees. In addition, DG TAXUD has recently been restructured to focus responsibility for mutual assistance and administrative cooperation (an important aspect of the scope of Fiscalis) in one unit, which should make coordination easier. Furthermore, Participating Countries are also in a position to help to ensure that the activities of these committees are coordinated. Indeed, a number of countries send the same persons to at least some meetings of the Fiscalis Committee and SCAC or other committees. The recent further division of the legal instruments for mutual assistance and administrative cooperation on the basis of different taxes suggests that it would be even less appropriate for SCAC to manage the Fiscalis Programme.

**Keep the existing role for the Fiscalis Committee subject to any future wider review of the committee structure, and consider updating the provisions on IT system implementation**

- Despite the complexity of the structure of committees in the field of tax administration, there does not appear to be a present need under the current Programme to change the role of the Fiscalis Committee in relation to the other Committees. Although recommending the simplification of the committee system is not within the immediate scope of this evaluation, the role of the Fiscalis Committee should however be taken into careful consideration in any revision of the structure of Committees in this field. Additionally, in the short term the structure can be further defined and communicated to participants of these Committees.
- If any future Fiscalis Programme has funding responsibility for the IT systems, consideration should be given to align the responsibility with those of the EMCS system. Consideration should also be given as to whether a future Fiscalis Decision should contain additional provisions such as those in articles 4 to 6 of Decision 1152/2003/EC (EMCS Decision) regarding the establishment and operation of the IT systems along the lines of those in the EMCS Decision.

**Ensure that follow up procedures are sufficient to monitor the Programme actions fully**

- It would be advisable to review the procedures to ensure that there is the capacity to monitor more effectively the extent to which activities have fulfilled the objectives set. (See Section 5.2.)

- The limited role of the Fiscalis Committee in relation to the IT systems could be construed as either superfluous or as not taking full advantage of a committee that is in a position to take a view on all the IT systems in the tax administration field. The evaluation found no evidence that the complex committee structure in this area caused any practical problems in the funding, design or operation of the IT systems. Apart from its official role, it would appear that the Fiscalis Committee also adds value at least in terms of transparency by providing a forum in which the broad Programme of IT development is presented to (non-technical) tax administrators. These considerations suggest that, if a future Fiscalis Programme has funding responsibility for the IT systems, it should also include similar responsibility for the EMCS system. Consideration should also be given as to whether a future Fiscalis Decision should contain additional provisions regarding the establishment and operation of the IT systems along the lines of those in the EMCS Decision.

**Follow up actions now in place meet expectations but need monitoring**

- While the follow up actions currently in place meet the expectations of the Participating Countries, it is difficult or indeed currently not possible to determine to what extent the objectives of actions have actually been met. It would therefore be advisable to review the procedures to ensure that there is the capacity to monitor more fully the extent to which activities have fulfilled the objectives set.

**Good management communication**

- Communication under the new management framework is good.

**Seek to alleviate the burden of hosting an activity**

- Consideration should be given to whether there are any other steps that could be taken to alleviate the burden of Fiscalis organising activities. Such steps might take the form of activities, revisions to the Management Handbook or additional written guidance to Participating Countries, perhaps prepared by Participating Countries.

**Good procedures for and funding of hosting an activity, but hosting is burdensome**

- The procedures for hosting activities appear to be very good. It is in light of this that the funding procedure for hosting activities was generally viewed as mostly sufficient, but a number of countries noted the burden in human resources. The seminar held in 2004 on Fiscalis management procedures presented an opportunity for Participating Countries to share best practice in organising Fiscalis activities. Consideration should be given to whether there are any other steps that could be taken to alleviate the burden of organising activities. Such steps might take the form of activities, revisions to the Management Handbook or additional written guidance to Participating Countries, perhaps prepared by Participating Countries.

### 5.5.2 Achievement of Action Plan objectives at reasonable cost

**Evaluation Question 10:** To what extent have the Action Plan objectives been achieved at reasonable costs?

#### KEY FINDINGS

**Judgment Criterion:** Degree of satisfaction of use of financial and human resources in the Programme by the stakeholders

- Fiscalis National Coordinators consider (97% 'strongly agree' or 'agree') that the financial resources of the Programme are efficiently used. In addition, all of those surveyed stated that the Fiscalis activities in which they and their country participated were a good use of time and good value for money. Additionally there was unanimous agreement that the activities' duration was appropriate. However, 3 respondents raised concerns as to the increasing workload that the flow of information and requests represented for the National Fiscalis Management Teams, in particular for the smaller teams. Feedback from the case studies supports these findings; however, there were other views in regard to particular activities Participation in Fiscalis activities is perceived as a good use of time and good value for money.

**Judgment Criterion:** Degree of satisfaction of PCs with joint actions

- A general concern has been the flexibility of the financial arrangements for joint actions, in a number of areas discussed below.

#### Seminars:

- Case studies informed that the funding for the Fiscalis Programme was perceived as sufficient to organise the seminars. However some concern was raised regarding differences in the cost of living among Participating Countries, and between national capitals and outlying regions and the difficulty in obtaining suitable accommodation in national capitals within the financial limits of Fiscalis. These results in increased travel costs within the country for seminar participants, so it is not clear whether overall costs of seminars is reduced by these restrictions.
- Otherwise there was broad satisfaction with the efficiency of seminars, as they were regarded as a good use of time and good value for money. This is reflected in the E-survey results, which indicate that all (24% 'strongly agree', and 76% 'agree') respondents found that funding from Fiscalis had enabled them to organise seminars.

**Exchanges:**

- Following feedback from the case studies, some countries were less satisfied with the efficiency of exchanges, particularly exchanges organised in a group, which were reported as being too long in relation to the information delivered, and have less clear outputs. Respondents also argued that the efficiency of tailor made exchanges could be further enhanced by improving the mechanisms for matching the participants with the most appropriate host for their objectives. The E-survey results supports these conclusions with only 67% either 'agreeing' or 'strongly agreeing' that the funding from the Fiscalis enabled the organisation of exchange visits, with 20% 'disagreeing':

**Project Groups:**

- Overall there was satisfaction with the efficiency of Project Groups and it was reported that the organisation of the Project Groups seemed to be of a high standard. Funding per Participating Country was on occasion too limited to permit the attendance of experts needed for the discussion of specialised technical issues. There were also concerns regarding the possibility of providing sufficient funding to invite external experts. These results seemed to be supported by the E-survey where 75% 'agree' that funding has enabled them to organise the meetings of Project Groups with 6% 'disagreeing' and 19% 'not knowing'.

**Judgment Criterion:** *Cost-efficiency of joint actions (cost per participant per joint action in relation to satisfaction with joint actions)*

- The main input for determining the cost-efficiency of joint actions was the information requests; however, responses did not provide sufficient data to allow for the calculation of the cost-efficiency of joint actions. The main difficulty was the lack of budgetary information from the Participating Countries, in particular those regarding staff costs, and on the part of the Commission those regarding human resource costs.
- However, the evaluation team calculated (without taking into account human resources costs) the cost per participant and activity. (*For further detail on this, please refer to Appendix 1*). The calculations give an indication that the cost per participant for seminars is about 80% of those for exchanges, and that the cost per seminar is much higher than the cost of an individual multilateral control or Project Group. An explanation is that seminars will normally have a much larger number of participants and need especially large meeting rooms, but that multilateral controls and Project Groups will often have multiple meetings and a longer duration.
- Furthermore, there was an attempt to compare the above figures with budgetary information for 2001, obtained from the final evaluation of Fiscalis 2002 (this is the last year of that Programme for which complete data was included). Unfortunately the data in that report was limited, and it was not clear whether the data was fully comparable with the data available for Fiscalis 2007. Subject to these limitations it appears that the cost per seminar in Fiscalis 2007 is almost 90% higher than in Fiscalis 2002 (an explanation could be that more countries

are involved in the current programme), while the cost per exchange has fallen by more than about 50% and the cost per multilateral control has fallen by almost 60%. It is important to note that it is was not possible to determine whether these changes reflect any difference in efficiency, or whether they simply reflect changes in organisation and priorities between the two Programmes. It is important to note that these figures relate to expenditure and provide little indication of cost efficiency.

**Judgment Criterion:** *Satisfaction with usefulness of information provided (taking into account the temporary nature of the excise tools)*

#### **MVS/ EWSE**

- Generally, there was strong agreement among respondents to the E-surveys and case studies that the information in MVS and EWSE is updated on a timely basis. There was also similar agreement regarding the accuracy of the information. However, although all respondents 'agree' that MVS provides an effective means of exchanging information that is useful to detect irregularities, three out of fifteen respondents 'disagreed' that EWSE was effective in this manner.

#### **SEED:**

- While one could identify strong support from both the E-surveys and case studies, the usefulness and quality of the information provided by SEED, one fifth (22%) of the E-survey respondents disagreed. Generally, the information request shows that there is agreement that the information in SEED was updated on a timely basis. However, it was reported that five out of eighteen respondents (27%) were dissatisfied with accuracy of the information provided.

**Judgment Criterion:** *Cost-efficiency of VIES; excise systems; CCN/CSI (cost per application in relation to overall satisfaction by MS)*

#### **VIES:**

- There is universal agreement that VIES is a useful tool, with one third of the respondents to the information request showing concerns about the accuracy of the information input to VIES. Seven out of the twenty-six respondents (27%) also had concerns about whether the information is provided and updated on a timely basis.
- Given that roughly 90% of CCN/CSI messages are generated by VIES, it appears that approximately 70% of the IT budget of Fiscalis 2007 is spent either directly on VIES or on this VIES-related use of CCN/CSI. The remaining 30% of the IT budget is largely attributable to the current excise tools and since the excise tools are much less used than VIES (as shown by the messaging levels) and are generally considered to be of limited value, in comparison; this suggests that the Community support for VIES appears to be an efficient use of funds.

**Judgment Criterion:** *Level of contribution of Participating Countries to coordination and organisation*

- The data collected via the information request on Participating Country staffing for their participation in Fiscalis was based on rough estimates on the part of respondents. Although it was not complete, a number of patterns could be observed. There was no distinct relationship between staffing levels and the size of country. However, feedback from the case studies indicated that very small countries often find it difficult to contribute more than one person to overall Fiscalis coordination.

The following statements are based on findings derived from the information requests:

**VAT:**

- 16 out of 24 respondent countries reported staffing levels for VAT. Typically, work was shared among between 1 to 9 people, with a roughly estimated average close to 3. Most countries had not reported any changes in staffing between 2003 and 2004; only three reported an increase.

**Excise:**

- 10 countries out of 24 respondents reported on staffing levels in excise. The levels of staffing indicate similar structures within the countries but only 1 country had as many as 3 people involved in excise coordination.

**Direct Taxation:**

- 8 countries reported staffing levels for coordination of Fiscalis direct taxation activities. In those countries the numbers involved were comparable to staffing levels generally for VAT, but with a lower level of participation per person. No changes in staffing between 2003 and 2004 were reported.

**Judgment Criterion:** *Level of contribution of the Participating Countries to the operation of the IT-systems (VAT as an example)*

Data was provided via the information request only by a limited number of Participating Countries, but some rough patterns were observed. The data on the numbers for VAT applications appeared to be somewhat more useful for analysis. Typical numbers of staff involved in operation and development of VAT applications within a Participating Country were in the range of 3 to 7, and it appeared that they often devoted at least half their time to this work. There was no evidence of any pattern of changes in staffing levels from 2003 to 2004. Some countries also provided figures for non-staff costs for the VAT applications. These figures were most often in a range of €200,000 to €300,000, but it was clear from the comments of respondents that countries varied considerably in the extent to which non-staff costs of these applications were absorbed into general IT budgets.

<b>ACHIEVEMENT OF ACTION PLAN OBJECTIVES AT REASONABLE COST</b>	
<b>CONCLUSIONS</b>	<b>RECOMMENDATIONS</b>
<p><b>Efficient use of financial and human resources in the Programme</b></p> <ul style="list-style-type: none"> <li>• The overall perception of Fiscalis Coordinators is that financial and human resources are used well and in an efficient manner. Also the participation in Fiscalis activities is perceived as a good use of time and good value for money. Even though all financial data were provided, it was very difficult to obtain quantitative data on human resources that would be adequate to determine efficiency; however, some patterns seem to be discernable from the limited data received.</li> <li>- Seminars appear to be a good use of time and good value for money.</li> <li>- Exchanges, particularly tailor made exchanges, can be too long, and can have less clear outputs.</li> <li>- Project Groups appear to be efficient and are reported to have a high standard of organisation.</li> </ul> <p>For further details on joint actions please refer to Evaluation Question 4.</p>	<p><b>Better matching of hosts and objectives for exchanges</b></p> <ul style="list-style-type: none"> <li>• The efficiency of tailor made exchanges could be further enhanced by improving the mechanisms for matching the participants with the most appropriate host for their objectives (currently the Exchange Management Project Group is revising the procedures).</li> <li>• For details on structural exchanges please refer to Evaluation Question 4.</li> </ul> <p><b>Ex ante development of indicators</b></p> <ul style="list-style-type: none"> <li>• Although indicators exist on financial resources, it is strongly recommended that they be reviewed and indicators for follow-up (monitoring) processes be developed and agreed ex ante, and that a final evaluation based on the first baseline data gathered through this exercise be conducted. Taking the subsidiarity principle into account, there is still a need to understand the costs and justification for joint actions. <i>(Please refer to overall recommendation of monitoring in Section 5.2.)</i></li> </ul> <p><b>More flexible financial arrangements for joint actions</b></p> <ul style="list-style-type: none"> <li>• The flexibility of financial arrangements for per diems to fund external experts for joint actions should be taken into consideration. It needs to be noted however this would require changes to the Commission per diem system.</li> </ul>

**General satisfaction of Participating Countries with joint actions, subject to certain specific funding concerns**

- A general concern has been the flexibility of the financial arrangements for joint actions:
  - **Seminars:** There is a clear difference in the cost of living between national capitals and outlying regions. The limitation on expenses allowed under Fiscalis means that it is difficult to cover the cost of events held in larger national capitals. However, this has resulted in increased travel costs within the country for meetings held in regional centres, therefore making it difficult to determine whether these financial restrictions have contributed to the overall costs reduction of seminars.
  - **Project Groups:** Funding per Participating Country was at times too limited to permit the attendance of experts needed for the discussion of specialised technical issues. There were also concerns regarding the possibility of providing sufficient funding to invite external experts.

**Cost efficiency of joint actions hard to determine quantitatively, but satisfaction high**

- The main input for determining the cost efficiency of joint actions was the information requests; however, it provided limited data (one of the main difficulties being a lack of figures for the purpose of benchmarking) to allow for the calculation of cost efficiency of joint actions, but it did allow for estimates. (See Appendix I.)

- There is satisfaction with seminars and the cost per participant is some 80% of that of exchanges. The cost per seminar, however, is higher than the cost of an individual MLC or Project Group, which can possibly be explained by the fact that seminars have a larger number of participants, but also that MLCs and Project Groups often have longer lasting and multiple meetings.

**Limited usefulness of information provided by the current excise tools**

- MVS and EWSE information is updated on a timely basis and provides accurate data. MVS seems to be a more effective tool to detect irregularities than EWSE. As both are temporary tools and will be integrated in EMCS, it is assumed that the quality of EWSE will be improved during this process. SEED seems to be less effective in detecting irregularities and the accuracy of data is questionable.

**Cost efficiency of IT applications: VIES is generally good value for money**

- Few figures were available for any useful measure for unit cost and the ones available were derived estimates of limited reliability, however, some patterns were discernable, and could provide a basis for developing ex ante indicators (VIES is used as an example to illustrate this point.).
- Since the excise tools are much less used than VIES (as shown by the messaging levels) and are generally considered to be of limited value, based on the comparison of the levels of spending on VIES and the excise tools, this suggests that the Community support for VIES appears to be an efficient use of funds

- It is suggested that VIES is good value for money, even if the accuracy of information can be further improved. In relation thereof, the contemplated VIES II foresees to integrate a specific shutter “Quality of data”.

**Level of contribution of Participating Countries to coordination and organisation shows no relation to size of country**

- There do not seem to have been any major changes in staffing provided by Participating Countries for the organisation and coordination of joint actions between 2003 and 2004. Furthermore, there does not seem to be a distinct relationship between staffing levels and the size of a country. However, feedback from the case studies indicates that very small countries often find it difficult to contribute more than one person.

**Level of contribution of the Participating Countries to the operation of the VAT IT systems estimated**

- Typical numbers of staff involved in operation and development of VAT applications within a Participating Country seems to be in the range of 3 to 7 persons, and it seems that they often devote roughly half of the time to this work.

### 5.5.3 Influence of professional skills and linguistic competence of participants

**Evaluation Question 11:** To what extent does the professional skills and linguistic competence of officials participating in the Programme influence effective participation?

#### **KEY FINDINGS**

##### **Judgment Criterion:** Average linguistic and professional knowledge of participants

- The E-survey responses from Fiscalis National Coordinators provide a positive overview of the linguistic and professional knowledge of participants. 88% of respondents felt that seminar participants had sufficient technical skills, while 12% respondents answered “don’t know” in terms of language skills, 94% believed they were sufficient, with 7% disagreeing.
- Results for exchange visits were similar, with over 90% of respondents believing professional skills were sufficient, but only some 70% believing that language skills were sufficient (some 23% disagreed).
- In the case of Project Groups, respondents felt that although participants had the professional skills to participate, only some 78% believed language skills were sufficient, with over 19% of respondents even disagreeing that language skills were sufficient.
- Survey responses from participants were generally more positive, with almost unanimous agreement that their language and technical skills had been sufficient to allow them to participate in the different Fiscalis activities.
- These results regarding the linguistic and professional skills of participants are mostly reflected in the case studies. Explanations for disagreements in the E-survey results can be found in the fact that there is a concern that sometimes there are trade-offs between professional and linguistic skills. Generally, there was the feeling that the technical skills of participants have improved over recent years. It should be noted that stakeholders interviewed during the case studies also indicated that linguistic skills sometimes take priority in the selection of participants; however, the evidence from the E-survey does not seem to support this, as the survey suggests that technical skills take priority over linguistic skills. It is important to point out that it is not an objective of Fiscalis to improve the language skills of participants, this is a national issue.

- The issue of professional and linguistic skills was examined to determine whether insufficiencies in skills influence the effective participation of officials. Although it became clear through interviews that this has been an area of concern, the situation continues to improve and does not seem to have had a substantial negative effect on the Programme. Translation services for certain joint actions and the glossary is reported to be helpful, with some stakeholders suggesting the extension of translation services to additional actions; and others indicated that conducting seminars in smaller groups can facilitate problems of language.

<b>INFLUENCE OF PROFESSIONAL SKILLS AND LINGUISTIC COMPETENCE OF PARTICIPANTS</b>	
<i>CONCLUSIONS</i>	<i>RECOMMENDATIONS</i>
<p><b>Average linguistic and professional knowledge of participants is sufficient, but there are still trade-offs between these skills</b></p> <ul style="list-style-type: none"> <li>• While linguistic skills have been an issue since the Matthäeus Programme, the situation has been steadily improving. However, a trade-off between language and professional skills continues to be observed.</li> <li>• In general there is little indication that linguistic and professional skills limit the effective participation of participants in the joint actions. However, there is variance between seminars, where generally professional and technical skills are sufficient, and exchange visits and Project Groups where there is the perception that there is a larger trade-off between linguistic and professional skills.</li> <li>• While ensuring that participants have sufficient language and professional skills it is not always possible to provide the correct balance. Some tax administrations lack the resources to do so.</li> </ul>	<p><b>Important to encourage improvement of linguistic skills, and to adopt procedures to minimise linguistic constraints</b></p> <ul style="list-style-type: none"> <li>• In bridging the language gap, many seminars are equipped with interpreters; continuing this practice and encouraging the improvement of linguistic skills are important. The glossary has been a useful start, although it still needs to be expanded to additional languages, needs updates and is currently only available in excel format, which makes it cumbersome to use. It would be helpful to further develop this glossary and to consider its expansion into future E-learning activities.</li> <li>• Running joint activities in smaller groups can facilitate the interaction between individuals with similar language and professional skills.</li> <li>• The selection process of participants in the area of exchanges needs to be carefully screened both by the host countries and Participating Countries, to ensure that the most qualified people attend the relevant actions. Many Participating Countries do this already. Further improving the selection procedures and possibly expanding this to other joint actions could be one avenue to explore.</li> </ul>