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**COMMISSION STAFF WORKING PAPER**

**MID-TERM evaluation of the Fiscalis 2007 programme**

## **1. BACKGROUND OF THE EVALUATION**

According to Article 15 (2) of Decision No 2235/2002/EC (Fiscalis Decision), the mid-term evaluation shall review the initial results and impact of the programme's activities and shall assess the use of funding and the progress of follow-up and implementation.

The total budget for the Programme was increased in 2004 to € 67.250 millions<sup>1</sup>, around 70% of which was earmarked for IT (Information Technology) applications and the remaining 30% for other actions (multilateral controls, seminars, exchanges of officials, training activities etc.)

## **2. THE PURPOSE OF THE EVALUATION**

This evaluation covers the results and impacts of actions financed and organised by the Fiscalis 2007 Programme during its first two years; it also addresses the impacts of actions financed at national level where they constitute a logical extension of the Fiscalis 2007 Programme. It examines to what extent the objectives of the Programme were achieved (effectiveness) at a reasonable cost (efficiency). It also examines whether the objectives of the Programme correspond to the needs of the administrations concerned (relevance)<sup>2</sup>.

The results of this evaluation will contribute to the review of the Fiscalis 2007 Programme and will be taken into account for the preparation of the succeeding Programme.

The major stakeholders of the Programme are the Commission, the tax authorities of the participating countries and their officials.

## **3. WORK UNDERTAKEN DURING THE STUDY**

In the course of the evaluation, opinions, perceptions and quantitative data were gathered using a variety of data collection methods (e-survey, information requests for quantitative data, interviews, case studies) to facilitate comparison of the viewpoints of the different stakeholders.

The external evaluation team conducted interviews with Commission officials, Fiscalis national coordinators, Fiscalis coordinators and Fiscalis participants. These interviews were held at the level of the EU and of the participating countries, with the evaluation team visiting five countries (Netherlands, United Kingdom, Spain, Hungary and Lithuania).

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1 The Fiscalis Decision (Article 10) has been amended by Decision No 787/2004/EC of 21 April 2004 (Article 6) in order to adapt the reference amount to the enlargement of the European Union.

2 For further details see the independent evaluation report, Annex 2.

#### 4. KEY FINDINGS OF THE EVALUATION

The overall and specific objectives of the Programme are considered to be highly relevant to the participating countries' needs. The Action Plan of the Programme is seen as flexible enough to cater for a variety of needs and therefore enjoys strong support.

The Fiscalis actions in the field of value added tax and excise duties, as well as in the field of direct taxation, have contributed in an effective way to the attainment of the programme's specific objectives. Although the actions undertaken in the field of direct taxation are limited, there is an underlying demand for further action.

The Programme has provided and continues to provide a number of benefits to new Member States and candidate countries. It has been very successful in helping the candidate countries to build their administrative capacity and to take all necessary measures for their accession in the field of tax legislation.

The IT systems with Community components which are funded through Fiscalis are also seen as operating to a high standard, helping the Member States fulfil their obligations under Community tax legislation.

The abovementioned results are considered to have been achieved in a cost-efficient way. The new, objective-driven management framework of Fiscalis 2007 is regarded as having improved the operation of the Programme, which is widely considered to give good value for money.

With regard to the professional and linguistic skills of the Fiscalis participants, the situation has been steadily improving. Linguistic and professional competence does not appear to limit effective participation in the joint actions.

As one of the main difficulties in this evaluation has been the collection of quantitative information<sup>3</sup>, it will be necessary to improve the existing indicators and to develop ex ante indicators for follow-up processes.

#### 5. CONCLUSION

The overall conclusion of this evaluation is that there is general satisfaction with the effectiveness and efficiency of the Programme. All stakeholders involved in this evaluation agree that Fiscalis helps to bring about better cooperation between participating countries, their administrations and officials. This seems to be confirmed by the quantitative data gathered during this evaluation. Moreover, the assessment is that the objectives of the programme still correspond to the needs of those at whom it is aimed.

Under these circumstances, **the Commission services intend to continue the preparation of a proposal for a successor programme**, taking into account the conclusions and recommendations of the evaluation report.

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3 See Section 5.2 of Annex 2 for further detail on monitoring and evaluation.

## ANNEX

### CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations of the independent study cover 11 evaluative questions<sup>4</sup>:

#### **1. TO WHAT EXTENT DO THE OBJECTIVES OF THE PROGRAMME AS SPECIFIED IN THE FISCALIS DECISION STILL CORRESPOND TO THE NEEDS OF THE PARTICIPATING COUNTRIES?**

##### **1.1. Conclusions**

- The overall objective as stated in the Fiscalis Decision, as well as the specific objectives in the area of VAT and excise duties, continue to be relevant to participants' current needs.
- The specific objectives in the field of direct taxation are regarded as relevant to officially stated needs and also, increasingly, to operational needs.
- Although the specific objective in taxes on insurance premiums is not currently seen as a high priority, the possibility of undertaking action in future should be maintained.
- The specific objective for candidate countries has been relevant and continues to be relevant after 2004. The smooth integration of the new Member States could constitute a new specific objective of the Programme.

##### **1.2. Recommendations**

- One of the cornerstones of Fiscalis is its flexibility. The Programme should continue to incorporate objectives that allow it to respond readily to current and future needs.
- The specific objective for taxes on insurance premiums should be retained as part of the Programme.

#### **2. HOW WELL DID THE CHOSEN TOOLS AND CONTENT STATED IN THE ANNUAL ACTION PLAN ADDRESS THE NEEDS OF THE PARTICIPATING COUNTRIES?**

##### **2.1. Conclusions**

- Fiscalis activities as a whole achieve a high approval rating in terms of relevance and organisation.
- Seminars and exchanges respond well to the needs of the participating countries. Multilateral controls continue to be regarded as relevant for all stakeholders.

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4 See further Annex 2.

- Joint actions such as seminars and exchanges need to be broad and flexible enough to meet a wide range of needs, but must also be capable of being focused and structured, in order to meet specific needs.
- While some work is being done in the area of training there is an interest in examining the issue and developing this tool further.
- The Action Plan is flexible enough to incorporate a variety of needs and therefore enjoys strong support. It should be noted that the level of active participation among the participating countries varies.

## **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 the relevant participating countries.
- Exchanges fall into two categories: tailor-made exchanges and exchanges organised in a group. The former seems more appropriate for specific issues; the latter is more useful for more general learning. Making a clearer distinction between the two could help address the different needs more effectively.
- Training actions have not been very successful and could benefit from a re-examination in order to determine whether improvements can be made in order to meet the needs of Fiscalis participants.
- In order to ensure that the Action Plan focuses on the actual business priorities of participating countries, it is important to further encourage the active participation of all Fiscalis Management Teams.

## **3. TO WHAT EXTENT HAS THE PROGRAMME ACHIEVED ITS OBJECTIVES SET OUT FOR THE CANDIDATE COUNTRIES IN TERMS OF TAX LEGISLATION AND ADMINISTRATIVE CAPACITY?<sup>5</sup>**

### **3.1. Conclusions**

- Fiscalis has provided and continues to provide several benefits to new Member States and candidate countries. It has been very strong in building administrative capacity in the area of IT applications. Non-IT related aspects were also covered by nine special training events, which were seen as very successful.
- Further added value for candidate countries took the form of creating informal contacts, as well as a forum to benchmark their own efforts.
- 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

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5 Article 3 (2) (d) of the Fiscalis Decision.

the implications of implementing Community taxation legislation through direct transposition, adopting detailed rules and exercising options.

### **3.2. Recommendations**

- It would be beneficial to further examine whether there are any 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 other accession instruments could help to better cover the special needs of candidate 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 of activities in order to record best practices from recent experiences for future use.
- The question of whether the success of the activities offered to the candidate countries can provide useful feedback for the wider training development activities of Fiscalis should be examined.

## **4. TO WHAT EXTENT HAS THE PROGRAMME HELPED OFFICIALS ACHIEVE A HIGH COMMON STANDARD OF UNDERSTANDING OF COMMUNITY LAW AND OF ITS IMPLEMENTATION IN MEMBER STATES WITH REGARD TO VALUE ADDED TAX AND EXCISE DUTIES?<sup>6</sup>**

### **4.1. Conclusions**

- Fiscalis has contributed to improving awareness and knowledge of Community law, even though levels of awareness often differ.
- The effectiveness of seminars could be undermined by the excessive number of participants.
- 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.
- In general, information is disseminated effectively. Examples of dissemination vehicles include intranets, internal circulation of reports prepared by seminar participants, special presentations and training sessions.
- With regard to training activities, there was a widespread view among participating countries that these lack strategic direction and that there is need and potential for improvement.
- Training is a significant component of the other activities under Fiscalis (such as seminars and exchanges), particularly for candidate countries.

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6 Article 3 (2) (a) (i) of the Fiscalis Decision.

- The opening of training courses to EU 25 tends to be more in areas concerned with administrative practices than with applicable legal provisions.

#### **4.2. Recommendations**

- To ensure a more uniform awareness of Community law, Fiscalis should focus on those topics where awareness among participating countries differs the most.
- As regards seminars, the idea of targeting some of them at limited groups should be considered.
- 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, so as to ensure that these exchanges are used to cover suitable topics and to enable best practices for such exchanges to be developed and disseminated.
- It might also be helpful if, as part of the management framework of Fiscalis, participating countries could be asked to confirm that steps have been taken to disseminate results, without this necessarily involving any requirements as to the form or extent of dissemination that is appropriate in each country.
- There is a need either to reform the process for common training or to 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.

### **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?<sup>7</sup>**

#### **5.1. Conclusions**

- Fiscalis National Coordinators and Fiscalis Coordinators believe that Fiscalis has been very important in enhancing cooperation.
- There is an observable relationship between Fiscalis activities and the use of non-IT tools for information exchange and other mutual assistance; this seems to be generated mainly by providing participants with the opportunity to network.
- Qualitatively speaking, multilateral controls enhance cooperation and are important. However, there is still further room for intensifying their use.
- It is relatively easy to provide VIES (VAT Information Exchange System) access to those officials who need it.
- There is general satisfaction with VIES and a feeling that SEED (System of Exchange of Excise Data) is useful. There is also agreement that MVS (Movement Verification System)

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<sup>7</sup> Article 3 (2) (a) (ii) of the Fiscalis Decision.

provides an effective means of information exchange. There is some concern about the accuracy and the quality of information that is being input into these systems.

- The procedures to be established for the implementation of EMCS (Excise Movement and Control System) will provide an opportunity to address concerns about the effectiveness of the existing systems.
- Although it is difficult to draw definite conclusions, 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.

## **5.2. Recommendations**

- Increasing the use of multilateral controls may be achieved by further enhancing the appreciation of their usefulness.
- It could be useful to draw lessons from successful cases and disseminate them in order to increase the effective use of Fiscalis joint actions.
- In order to facilitate the organisation of a 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.

## **6. To what extent has the Programme helped 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 practices?<sup>8</sup>**

### **6.1. Conclusions**

- There was widespread agreement that information and knowledge obtained during Fiscalis activities led to the dissemination of good practices. The degree of dissemination varies.
- When the topics of activities do not always reflect immediate national priorities, they are not regarded as particularly important.
- 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 in their own sphere of influence.
- Impressions from stakeholders suggest a ‘patchy’ integration level of best practices.
- Many improvements in administrative procedures and practices are based on the benefits from 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.

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8 Article 3 (2) (a) (iii) of the Fiscalis Decision.



- The IT systems most recently developed under Fiscalis - VIES on the Internet and VAT E-services - are actively used. 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 burdens.

## **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 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.

## **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? 9**

### **7.1. Conclusions**

- A limited number of activities have been undertaken in the area of direct taxation. The underlying demand for joint actions in the area of direct taxation has still to materialise.
- There is a gap between the perceived relevance of the direct taxation objective and measurable results, possibly indicating an interest in future activity.
- It is not possible to make a direct link between the Fiscalis activities and the number of mutual assistance requests in direct taxation.

### **7.2. Recommendations**

- 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 on the benefits of information exchange in mutual assistance and applicable Community law.

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9 Article 3 (2) (b) of the Fiscalis Decision.

## **8. TO WHAT EXTENT HAS THE PROGRAMME HELPED TO ENSURE THAT THE LISTED COMMUNICATION AND INFORMATION EXCHANGE SYSTEMS ARE OPERATIONAL?**

### **8.1. Conclusions**

- The existing IT systems are operated to a high standard of interconnectivity and interoperability.
- 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 by the introduction of new developments, if participating countries are unable to make arrangements to implement these new developments in line with agreed schedules.

### **8.2. Recommendations**

- The implementation of the VIES II Feasibility Study conclusions as currently proposed includes elements that are dependent on the adoption of substantive VAT legislation. However, 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 moving ahead with the implementation of the other aspects of VIES II.
- Simple structures for IT systems, which can be easily adapted to accommodate new developments, should be a criterion used in developing Community taxation IT systems.

## **9. IN WHAT WAY HAVE THE EXISTING ORGANISATIONAL/MANAGEMENT PROCEDURES HELPED OR HINDERED THE ACHIEVEMENT OF THE PROGRAMME'S OBJECTIVES?<sup>10</sup>**

### **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 on objective-based management is good. It may be possible to improve it further.
- Relations 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 IT systems could be construed as either superfluous or as not taking full advantage of a committee that is in a position to form 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.

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10 Evaluation of the management framework introduced by the Fiscalis Decision, Article 3 (3).

- While the procedures for the follow-up of joint actions that are currently in place meet the expectations of the 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.

## **9.2. Recommendations**

- While the procedures for the follow-up of joint actions that are currently in place meet the expectations of the 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 committee structure in the field of tax administration, there does not appear to be a need to change the role of the Fiscalis Committee at present. 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 the members of these Committees.
- If any future Fiscalis Programme were to have funding responsibility for IT systems, consideration should be given to extending that responsibility to the EMCS system.
- Consideration should be given to whether any other steps could be taken to alleviate the burden of organising activities. Such steps might involve revisions to the Management Handbook or additional written guidance to participating countries.

## **10. TO WHAT EXTENT HAVE THE ACTION PLAN OBJECTIVES BEEN ACHIEVED AT REASONABLE COSTS?**

- The financial framework for the implementation of the programme is set at EUR 67.25 millions<sup>11</sup> for the period from 1 January 2003 to 31 December 2007. The following table indicates the budget distribution per year and a breakdown for IT systems (around 70%) and joint actions (around 30%).

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11 The Fiscalis Decision (Article 10) has been amended in this respect by Decision 787/2004/EC of 21 April 2004 (OJ L 138, 30.4.2004, p.12) in order to adapt the reference amount to the enlargement of the European Union.

FISCALIS 2003 - 2007 (Commitments- update on 13/6/2005)\*

		2003	2004	2005	2006	2007	TOTAL
Programme Decision		9.350.000,00 €	8.500.000,00 € **	14.600.000,00 €	15.000.000,00 €	15.350.000,00 €	62.800.000,00 €
Financing Decision	Joint actions (seminars, multilateral controls, exchanges, training activities et al.)	2.500.000,00 €	4.405.000,00 €	4.700.000,00 €			
	IT systems	6.850.000,00 €	8.545.000,00 €	9.900.000,00 €			
	<b>total</b>	9.350.000,00 €	12.950.000,00 € **	14.600.000,00 €	15.000.000,00 €	15.350.000,00 €	67.250.000,00 €
Commitments	Joint actions	2.500.000,00 €	3.800.000,00 €				
	IT systems	5.114.005,00 €	8.893.655,00 €				
	<b>total</b>	7.614.005,00 €	11.893.655,00 €				

\*Real payments for the period 2003- 2004 (1st semester) are presented in the Annex (see Appendix 1).

\*\*The difference of 4,450,000 € is due to the enlargement in 2004.

## 10.1. Conclusions

- The overall perception on the part of Fiscalis Coordinators is that financial and human resources are used well and in an efficient manner. Participants also regard Fiscalis activities as a good use of time and good value for money.
- Seminars and Project Groups appear to be efficient and are reported to have a high standard of organisation. There is widespread satisfaction with seminars and it seems that the cost per participant for seminars is the lowest of all joint actions. Exchanges, particularly those organised in a group, are sometimes perceived as being too long and their outputs are less clear, while their cost seems to be relatively high.
- 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 has at times been too limited to permit the attendance of experts needed for the discussion of specialised technical issues.
- 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 do not appear 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. Typically, the number of staff involved in the 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 their time to this work.

## 10.2. Recommendations

- The organisation of the exchanges, particularly those organised in a group, should be reviewed in order to increase their efficiency.

## **11. TO WHAT EXTENT DO THE PROFESSIONAL SKILLS AND LINGUISTIC COMPETENCE OF OFFICIALS PARTICIPATING IN THE PROGRAMME INFLUENCE effective participation?**

### **11.1. Conclusions**

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

### **11.2. Recommendations**

- To bridge the language gap, interpreters are provided for many seminars; it is important to continue this practice and to encourage the improvement of language skills. 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 process for selecting participants needs to be monitored both by the host countries and by participating countries, in order to ensure that the most qualified people attend relevant actions.