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Member to Member Discounts 44**Fighting tax fraud and tax evasion –
Plans, Commitments and Actions****Peter Kažimír***Minister of Finance of the Slovak Republic*

Tax fraud and tax evasion negatively affect all areas of the social and economic environment. The distortion of competition is the consequence of unfair competitive advantages for some taxpayers arising from tax fraud. The striking impact of tax fraud is reflected in decreasing state revenues resulting in a failure of state to perform tasks in the field of defence, security, health care, social security, education, research and development.

The impact of tax fraud in the Slovak Republic is not negligible. In 2009 the European Commission published data on the amount of estimated tax loss of revenues from the value added tax in the Slovak Republic in 2006: EUR 1.3 billion. Later in, March 2012, The Financial Policy Institute of the Ministry of Finance published "Estimates on Loss of VAT Revenue in 2010" at the level of EUR 2.3 billion which represents 3.5% of the Slovak GDP. Based on these data it is justified to state that the tax fraud significantly contributes to the loss of the state budget receipts in the Slovak Republic.

In the context of the above mentioned, it is necessary for the Slovak Government to keep in mind the obligation to comply with the EU commitments – to reduce the public finance deficit in 2013 below 3% of GDP, which means that it is necessary to make the consolidation efforts amounting to nearly EUR 1.2 billion. Consolidation efforts through effective measures to combat tax fraud can contribute to increasing the country's credibility at the international level.

All of these reasons have led the Slovak Government to commit to combat tax fraud and tax evasion efficiently, uncompromisingly and systematically. For this reason, the Slovak Government approved in May 2012 a comprehensive strategic document "Action Plan to Combat Tax Fraud in the Years 2012 to 2016" where legislative and non-legislative measures were introduced. Depending on complexity, administrative burden and technical implementation of the measures, three major stages of implementation were set. As the fight against tax fraud can be efficiently implemented only by synergizing the actions in all the areas of taxation, commercial, financial, and criminal law, this strategic Action Plan includes measures that interfere in all of those areas. At the same time, the Ministries of Finance, Justice and Interior are cooperating to effectively address the issue of tax fraud in a wide range of applications.

Currently, the first phase of the Action Plan was completed by adopting VAT legislative measures and tools effective as of 1 October 2012 in order to combat VAT fraud. These measures relate to strengthening the protection of the VAT system through the lodge of the financial guarantee upon the VAT registration for high-risk taxpayers, as well as deregistration as soon as possible for taxpayers who repeatedly violate their tax obligations.

As regards direct taxation, legislative and non-legislative measures will be adopted in 2013 to become effective as of January 2014. The measures include complex tackling of the international taxation issues in connection to aggressive tax planning, the use of artificial structures and activities or mismatches between tax systems to tax optimization in Slovakia. In order to intensify international cooperation, the Ministry of Finance plans to continue expanding and improving its treaty network as regards the bilateral double taxation agreements and agreements on exchange of information for the tax purposes. In the short term, the Ministry plans to become a contracting party to the OECD and Council of Europe Multilateral convention on international administrative assistance in tax matters.

The Slovak Government has recently committed to the difficult task of dealing with the phenomenon of tax fraud and tax evasion. This task has to be seen as a long-term goal and, as such, it cannot be considered to be completed only by adopting the stated measures. Combating tax evasion can work effectively only when implementing the principle of adequate and rapid response to existing and emerging new forms of fraud. Time, in this case, is worth a lot. Therefore it is important not only to take unilateral actions, but to encourage wider cooperation among all stakeholders and raise awareness of the whole society to participate.

