Board Proposal and Resolution Recommendation

Subject: VAT in the Digital Age (VIDA) -- Strategic Modernization to Combat €61 Billion Damage

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EXECUTIVE SUMMARY

The Union of Finance Personnel in Europe faces a historic decision. VIDA (VAT in the Digital Age) offers the greatest opportunity in decades to combat systemic VAT fraud in the EU, which cost €61 billion in 2024 according to the latest EU Commission analysis -- equivalent to €167 million daily.

Key Messages

- MTIC fraud causes 60% of all VAT losses (€36.6 billion/year based on updated figures)
- VIDA can reduce damage by €21-37 billion annually (based on proven 35-60% success rates)
- Critical success factor: Central EU platform instead of 27 national systems
- Urgency: Every day of delay costs €167 million (updated from latest data)
- Proven effectiveness: Hungary, Italy, Poland, Spain achieved 28-60% fraud reduction

1. CURRENT DAMAGE SITUATION: THE €61 BILLION CRISIS

1.1 Latest Figures from 2024 EU Commission MTIC Report

The European Commission's comprehensive 2024 report on Missing Trader Intra-Community fraud reveals the continuing scale of VAT losses across the EU, with refined methodologies providing more accurate damage assessments than previous estimates.

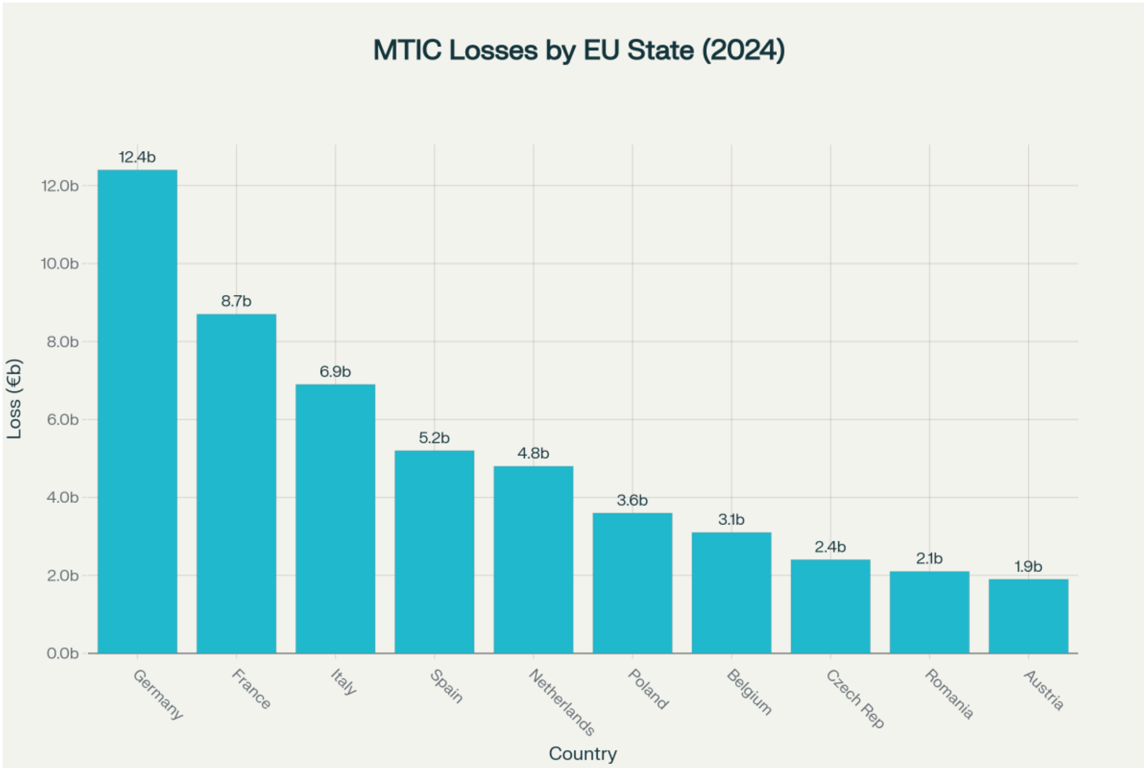

Chart 1: MTIC Fraud Losses by EU Member State (2024)

1.2 Success Stories: Evidence That Digital Systems Work

The 2024 data provides compelling evidence of digital system effectiveness, with several EU member states achieving dramatic fraud reductions through comprehensive digital VAT systems:

- Italy: 60% VAT gap reduction through mandatory e-invoicing (€2.1 billion annual savings)
- Hungary: 47% VAT gap reduction through real-time monitoring (€0.8 billion annual savings)
- Poland: 35% improvement through SAF-T and split-payment systems (€0.7 billion annual savings)
- Spain: 28% VAT gap reduction through advanced digital reporting (€0.4 billion annual savings)

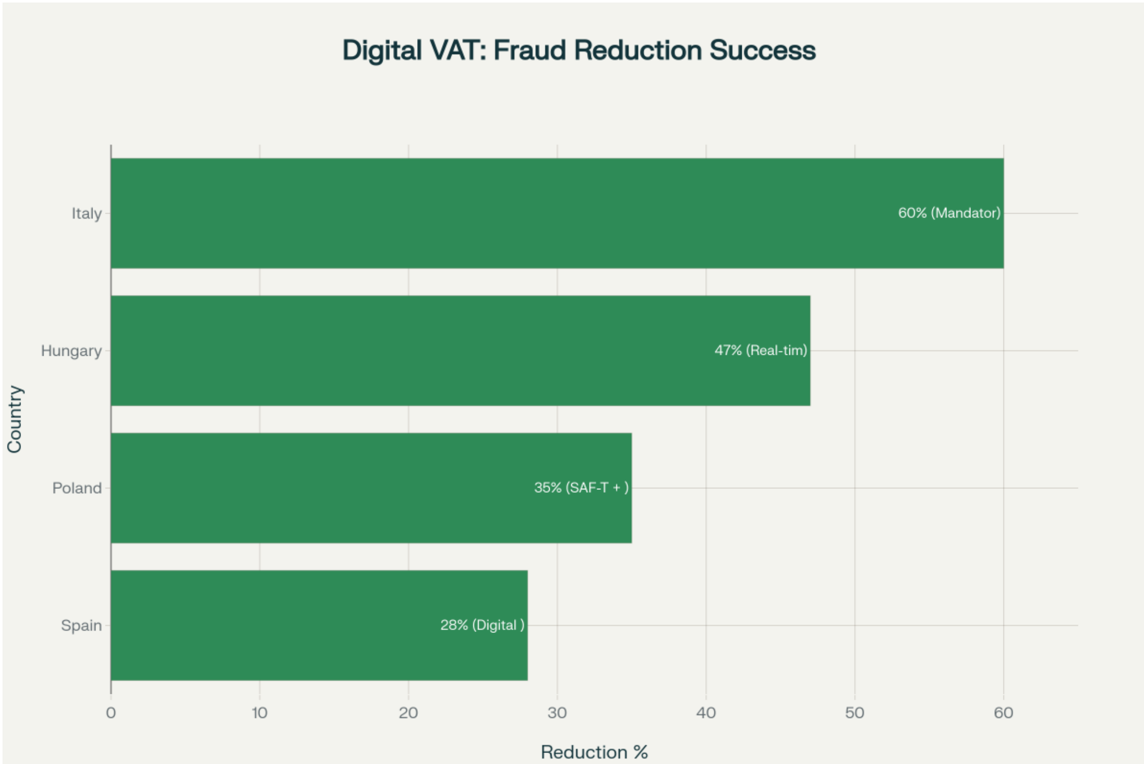

Chart 2: Digital VAT Systems Success Stories

1.3 The Anatomy of Fraud: Where €61 Billion Disappears

Analysis of the €61 billion annual loss reveals the specific fraud mechanisms that VIDA is designed to combat:

- MTIC/Carousel Fraud: €36.6 billion (60%) - Primary target for VIDA intervention
- Domestic VAT Evasion: €12.2 billion (20%) - Enhanced detection through digital systems
- Cross-border Evasion: €7.3 billion (12%) - Real-time monitoring crucial
- Digital Platform Fraud: €3.0 billion (5%) - Growing threat requiring immediate action
- Other Schemes: €1.9 billion (3%) - Various sophisticated criminal methodologies

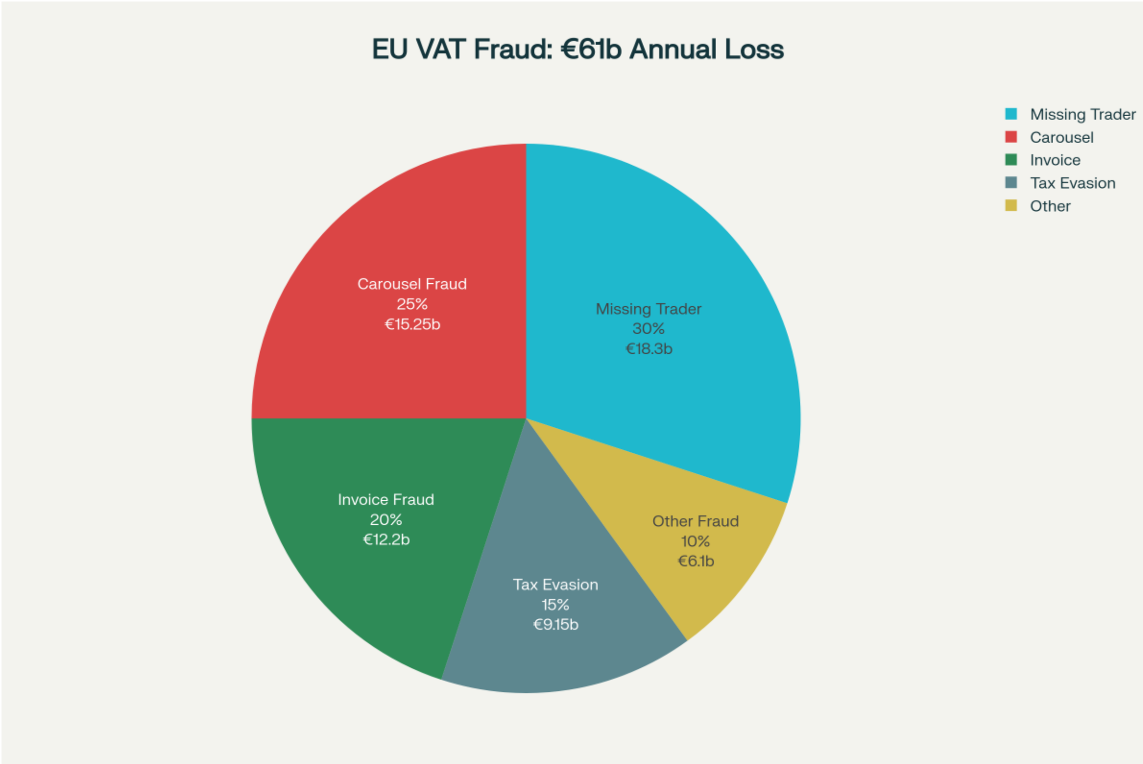

Chart 3: EU VAT Fraud Breakdown

2. VIDA: THE TECHNICAL REVOLUTION

2.1 The VIDA Concept: Three Pillars for a New System

VIDA was adopted by the EU Council on March 11, 2025, and fundamentally transforms the VAT system through three interconnected pillars, validated by successful implementations in leading member states:

Pillar 1 - Digital Reporting Requirements (DRR): Mandatory real-time transaction reporting for all VAT-liable businesses, proven effective in Hungary and Italy
Pillar 2 - Platform Economy Framework: Enhanced obligations for digital platforms and marketplaces, addressing the €3 billion platform fraud component
Pillar 3 - Harmonized E-invoicing: Standardized electronic invoicing across all 27 member states with unified formats and real-time data exchange

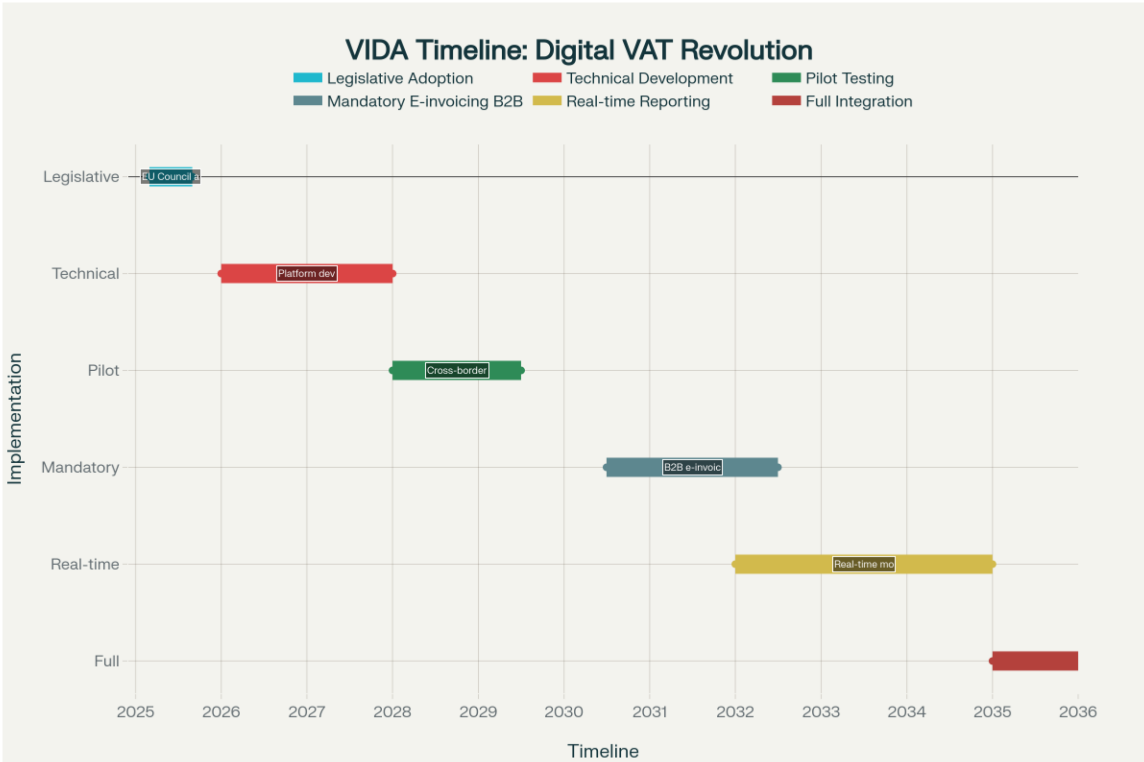

Chart 4: VIDA Implementation Timeline

2.2 Evidence-Based Projections: Learning from Success

Based on documented results from Hungary, Italy, Poland, and Spain, VIDA implementation across all 27 member states could achieve:

- Conservative Scenario (35% reduction): €21.3 billion annual savings
- Moderate Scenario (47% reduction): €28.7 billion annual savings
- Optimistic Scenario (60% reduction): €36.6 billion annual savings
- Implementation period: 2025-2035 with measurable results by 2030

3. CRITICAL SUCCESS FACTORS AND RISKS

3.1 The Central Problem: 27 vs. 1 System

The greatest threat to VIDA success is the current trajectory toward 27 separate national implementations. Countries with unified, centralized approaches (Hungary's real-time system, Italy's e-invoicing platform) demonstrate superior results compared to fragmented approaches.

Key Risks of Fragmentation:

- System incompatibilities creating exploitable gaps for criminal organizations

- Billions in duplicated development costs (estimated €15+ billion vs. €1.5 billion for unified approach)
- Delayed implementation allowing continued daily losses of €167 million
- Reduced effectiveness due to lack of seamless cross-border data integration

3.2 Success Requirements Based on Proven Models

Analysis of successful implementations reveals critical requirements:

1. Centralized EU platform with mandatory participation (Hungary/Italy model)
2. Real-time transaction monitoring capabilities (Hungary's 47% success rate)
3. Comprehensive staff training and adequate personnel (Poland's experience)
4. Robust technical infrastructure with 24/7 support capabilities
5. Strong political commitment and adequate funding (Spain's systematic approach)

4. ECONOMIC EVALUATION (Updated with 2024 Evidence)

Updated Economic Analysis Based on Proven Results:

Investment Costs (Central EU Solution): €1.5 billion over 5 years
Annual Savings Potential: €21-37 billion/year (based on 35-60% success rates)
Return on Investment: 1,420-2,440% over 10 years
Break-even period: 8-12 months after full implementation

Chart 5: VIDA Economic Impact Analysis - See attached visualization comparing investment scenarios with documented ROI calculations based on successful member state implementations.

The business case is overwhelming: every month of delay costs €5.1 billion in continued MTIC fraud losses, while successful countries demonstrate that investment in digital VAT systems pays for itself within the first year of operation.

5. RESOLUTION RECOMMENDATIONS

Based on the updated 2024 evidence and proven success models, the UFE Presidium recommends adoption of five comprehensive resolutions:

Resolution 1: Basic Support for VIDA

Recognizing VIDA as the most important advancement in European taxation since the Euro, with €61 billion in annual MTIC fraud losses providing compelling justification for comprehensive digital transformation. Success stories from Hungary (47% reduction), Italy (60% reduction), Poland (35% reduction), and Spain (28% reduction) prove the effectiveness of digital VAT systems.

Resolution 2: Demand for Central EU Solution

Categorical rejection of 27 separate national systems in favor of a unified €1.5 billion EU platform that could save €21-37 billion annually. The fragmented approach would cost billions in duplicated development while creating system vulnerabilities that criminal organizations can exploit, as demonstrated by the continued €167 million daily losses.

Resolution 3: Accelerated Implementation

Demanding accelerated timelines with cross-border pilot projects by Q2/2026 and voluntary early adoption by 2028. Countries with advanced systems prove that accelerated implementation is technically feasible and achieves rapid fraud reduction results, while every day of delay continues the €167 million daily hemorrhage of public funds.

Resolution 4: Substantial Personnel Increase

Immediate recruitment of specialized personnel across all member states, including Data Analysis Specialists, IT Forensics Experts, Real-time Monitoring Coordinators, and Cross-border Investigation Officers. VIDA's 50 billion annual transactions require adequate human resources to achieve the 35-60% fraud reduction rates demonstrated by successful implementations.

Resolution 5: UFE as Driving Force

Positioning UFE's 400,000+ tax professionals as the driving force for successful VIDA implementation, leveraging unique practical expertise and proven track record. UFE will share best practices from successful member states and ensure implementation meets the proven success benchmarks of 35-60% fraud reduction.

6. CONCLUSION: NOW OR NEVER - THE EVIDENCE DEMANDS ACTION

The numbers speak clearly: €61 billion annual damage from VAT fraud, validated by the 2024 EU Commission analysis, is a scandal we can no longer tolerate. More importantly, the success stories from Hungary, Italy, Poland, and Spain prove that digital VAT systems work, achieving fraud reductions of 28-60% within 3-4 years of implementation.

The choice before the European Union is stark:

- Action: Implement unified VIDA system, achieve €21-37 billion annual savings, protect European taxpayers
- Inaction: Continue losing €167 million daily while criminals perfect their schemes for another five years

UFE stands ready to provide the leadership, expertise, and professional commitment necessary to make VIDA a historic success. The evidence base is clear, the technology exists, and the successful implementations prove it works. The only question remaining is whether Europe has the political will to act.