

# Reducing the costs of ‘non-Europe’ in taxation requires more – and better targeted – coordination across the EU

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Tax policy in the EU is mostly decided by the Member States – 27 tax systems, each setting, collecting and administering taxes nationally. EU-level instruments do allow action in specific areas to safeguard the single market’s functioning, but today’s patchwork of rules and administrative practices still creates economic distortions and compliance frictions that directly impact taxpayers and firms.

The priority isn’t ‘hard law’ harmonisation for its own sake. Rather, it’s about getting national tax systems to work together across borders. This is consistent with the broader call for systemic reforms (including in Enrico Letta’s [report](#)) to reduce cross-border frictions and strengthen the single market.

Tackling fragmentation requires better cross-border coordination in strategic areas where inconsistent national approaches already warp how the market functions, notably wealth taxation, crypto-asset taxation, the digitalisation of tax administrations and the tax compliance burden.



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This commentary is based on the [‘The future of EU tax policy harmonisation: Cost of non-Europe report’](#) study, carried out by Apostolos Thomadakis, Theresa Bührle, Agustina Korenblit, Fredrik Andersson, Iain Begg and Katerina Pantazatou for the European Parliamentary Research Service (EPRS).

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## The current rules are falling short

There's no harmonised EU framework to tax *wealth* – i.e. the stock or transfer of assets owned by individuals or entities. Instead, countries rely on a mix of instruments (like net wealth taxes, real estate taxes, inheritance and gift taxes), with different bases, valuation methods, thresholds and rates.

These divergences encourage highly mobile taxpayers to relocate their assets, creating legal uncertainty and eroding horizontal equity (these are similar economic circumstances, but they face different burdens depending on where you reside). They also cause administrative frictions for tax authorities, especially in cross-border cases.

There are even more challenges for crypto-assets. Their cross-border nature, pseudonymity and difficult traceability have led Member States to adopt different approaches to taxing – or not taxing – crypto activities. This has led to similar transactions across the EU being treated inconsistently, which provides fertile ground for arbitrage, revenue leakage and uneven enforcement outcomes.

Crucially, this isn't just a legal coherence issue – it impacts the legitimacy of national tax systems. According to our estimates, capital gains on all crypto-assets in 2024 amounted to around EUR 16 billion and are projected to reach more than EUR 410 billion by 2035. At the current tax rates on crypto gains, this translates into revenues of around EUR 4.7 billion in 2024 and more than EUR 120 billion by 2035.

## Digitalisation has improved... but EU convergence still lags

Many national tax administrations have worked hard to modernise in recent years but the wider EU picture remains uneven. Many countries have expanded digital tools (such as e-filing, e-invoicing, pre-filled returns) and some are moving into more advanced capabilities (including data analytics, AI and machine learning). Others are facing structural constraints that weaken both compliance and enforcement capacity.

At the same time, the experience of meeting tax obligations still differs across Member States in time, costs and administrative efforts. This disproportionately hits SMEs and cross-border operators, which often can't absorb multiple reporting calendars, formats and interfaces.

The results are easily predictable – uncertainty persists, voluntary compliance weakens and the single market's efficiency suffers.

Indeed, digitalisation can reduce compliance burdens but only when paired with genuine simplification, which can include single windows, once-only data, standard taxonomies and interoperable identifiers. Partial digital fixes that don't reduce duplication tend to shift work rather than lower it.

## Addressing wealth taxation and crypto-assets

The way forward is targeted coordination, mainly through simplification, clearer definitions and shared enforcement tools that reduce duplication and uncertainty but without requiring full tax-base harmonisation.

In short, the EU doesn't need a single EU-wide wealth tax. But a well-designed coordination framework could mitigate the cost of 'non-Europe' by setting common minimum valuation standards for specific high-value assets, by aligning reporting and definitions for cross-border wealth holdings and clarifying the rules for foreign-held assets to reduce double (or no) taxation in wealth, inheritance and when giving gifts.

A more targeted option would be a coordinated approach to taxing high-end real estate (building on the fact that most Member States already tax real estate in some form). If there was a real estate wealth tax applied to wealth above EUR 1 billion, estimated EU-wide revenues under the status quo could reach about EUR 13 billion per year but with highly concentrated distribution (France alone would bring in close to EUR 8 billion per year if there was full compliance).

Regarding crypto-assets, the [Directive on Administrative Cooperation \(DAC8\)](#), which entered into force on 1 January 2026, is expected to materially improve transparency by introducing automatic information exchange on crypto holdings and transactions.

But transparency isn't by itself a complete solution. Member States still diverge on what constitutes a taxable event, how gains are classified and how valuation is performed – which keeps compliance and enforcement fragmented.

Priority coordination levers include aligning the DAC8's implementation with international standards (such as the OECD's [Crypto-Asset Reporting Framework \(CARF\)](#)) to reduce arbitrage and minimise distortions with non-EU jurisdictions. Developing shared guidance on taxable disposals (including crypto-to-crypto swaps and stablecoin conversions) and minimum valuation standards, as well as exploring an EU-wide minimum floor rate for crypto capital gains (while leaving national regime design flexible) should also be prioritised, which would be paired with credible enforcement capacity.

## Addressing digitalisation and compliance burdens

The EU also needs to level the playing field for taxpayers by ensuring access to basic digital services, namely secure online filing and digital engagement with tax administrations, supported by interoperable systems.

Convergence should focus on greater alignment in reporting practices (e-invoicing, pre-filled returns, standardised formats), reducing cross-border friction by aligning identifiers, forms and calendars where feasible, and operationalising a 'once-only' principle in tax reporting, especially for SMEs.

The [VAT in the Digital Age \(ViDA\)](#) package should accelerate e-invoicing and digital reporting, and is projected to reduce administrative and compliance costs by more than EUR 4.1 billion per year for EU traders. But rollout gaps and some Member States not being ready yet mean mutual learning and support for practical implementation will remain decisive.

Finally, to narrow the digitalisation gap, the EU could invest in shared infrastructure and targeted technical support, such as an EU-level digital platform that Member States can adopt on a voluntary basis to modernise core services. Complementing this, an EU framework to track and benchmark compliance costs, complexity and time-to-comply across Member States would make the burden both visible and actionable, and would be linked to existing coordination tools (including the [European Semester](#)) to help push for further reform.