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NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Report by Finance Ministers on Tax issues in the framework of the Euro Plus Pact

1. The **European Council** conclusions of 9 December 2011 concerning the Euro Plus Pact request that structured discussions of tax policy issues are being pursued.
2. A draft Report by Finance Ministers in the framework of the Euro Plus Pact, covering progress made, was agreed in the context of the Council **High Level Working Party** on Tax issues, following discussions on 25 November 2014.
3. Subsequently the Report was forwarded, via Coreper, to the Council (ECOFIN) on 9 December 2014, and endorsed by Finance Ministers of the Pact with a view to its submission to the **European Council** on 18/19 December 2014.

**REPORT BY FINANCE MINISTERS ON TAX ISSUES
IN THE FRAMEWORK OF THE EURO PLUS PACT**

1. As set out in the EC conclusions of 9 December 2011¹, this report by participant Finance Ministers of the Euro Plus Pact covers progress made in structured discussions on the coordination of tax policies.
2. The Italian Presidency approach to coordination of tax policies in accordance with the Euro Plus Pact built on the work undertaken by previous Presidencies.

As done during the Hellenic Presidency, the Italian Presidency gave Member States the opportunity to exchange views with a particular focus on the fight against fraud, tax avoidance and aggressive tax planning in the framework of the Council HLWP. International developments in the G8/20 and OECD (e.g. related to Base Erosion and Profit Shifting - BEPS) were assessed against the background of their potential impact on work at EU level and national tax legislation.

3. The following progress was noted on a number of files which were considered particularly relevant under the Euro Plus Pact.
 - a) Directive on Administrative Cooperation in the field of taxation (DAC)

Following a political agreement reached at ECOFIN on 14 October 2014, a revision of the DAC was adopted on 9 December 2014. The revised DAC extends automatic exchange of information to a broad range of financial income, in line with the 'global standard' developed by the OECD. A derogation was granted to Austria to postpone the application of the Directive by one year.

¹ EUCO 139/1/11 REV 1 (item 6).

b) Savings Negotiations with Third Countries

The Commission provided regular updates on the negotiations with Switzerland, Liechtenstein, Monaco, Andorra and San Marino, against the background of the European Council request to conclude these negotiations by the end of the year 2014.

c) Common Consolidated Corporate Tax Base (CCCTB)

Significant progress was made on a number of technical issues related to the tax base. At the informal discussion that took place at the October ECOFIN, the Presidency concluded that work should continue by focusing on international aspects of the proposal and that progress should be reported to the Council by mid-2015, also with a view to coordinating discussion on CCCTB with the timetable of the ongoing OECD BEPS work.

d) Parent Subsidiaries Directive (PSD)

After the adoption by the Council of the PSD revision covering 'hybrid loan arrangements', the Presidency focused on another revision of the Directive which would allow for the introduction of a binding anti-abuse provision (as a *de minimis* rule). Political agreement was reached at the Council (ECOFIN) on 9 December 2014.

e) VAT files

Technical work was pursued on the Proposal concerning the VAT treatment of vouchers, focusing on a first series of vouchers (telecom vouchers and others with similar features).

As far as the Standard VAT Return is concerned, the proposal was submitted to Ministers (ECOFIN) for information by the Presidency on 7 November 2014. The Presidency, supported by the Commission, highlighted the importance of the file in terms of administrative burdens reduction for businesses and noted that further reflection is needed on how to strike the right balance between standardisation of the content and the form of the VAT return and the flexibility requested by Member States.

4. A comprehensive ECOFIN report highlighting progress made during the last six months provides additional detail on the work carried out at the EU level.²
5. The incoming Presidencies are invited to pursue work in these fields, taking into account the specific aims pursued under the Euro Plus Pact, and to continue monitoring results in the context of the Council HLWP. As requested by the Pact "particular attention should be paid to how tax policy can support economic policy coordination and contribute to fiscal consolidation and growth".³ On the basis of these discussions, the European Council should continue to be informed on issues relevant to the Pact, as appropriate.

² Doc. 16753/14 FISC 230 ECOFIN 1188 CO EUR-PREP 50.

³ EUCO 139/1/11 REV 1, item 6, third sentence.