



Council of the
European Union

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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 4 June 2015.
3. Subsequently the Report was forwarded, via Coreper, to the Council (ECOFIN) on 19 June 2015, and endorsed by Finance Ministers of the Pact with a view to its submission to the European Council on 25/26 June 2015.

**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 Latvian 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 Italian Presidency, the Latvian Presidency gave Member States the opportunity to exchange views with a particular focus on the fight against fraud, evasion, tax avoidance and aggressive tax planning in the framework of the Council HLWP. International developments in the G7/20 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) 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). Following a political agreement reached at ECOFIN on 9 December 2014, a revision of the PSD was adopted on 27 January 2015.

¹ EUCO 139/1/11 REV 1 (item 6).

b) Interest and Royalties Directive (IRD)

The Italian and Latvian Presidencies have reinitiated discussions on this proposal, but no agreement can be foreseen in the reasonable future on the proposal as a whole due to some remaining divergence of views on the issue of the minimum effective level of taxation. Against this background, the Latvian Presidency proposed a compromise consisting of adopting, as a first step, a common minimum anti-abuse clause and some other technical matters, together with two Council statements. This compromise was supported by a large majority of Member States. Some Member States expressed the view that the Directive should include a provision on minimum effective level of taxation. On 19 June 2015, the ECOFIN Council discussed the file with a view to further work during the incoming Presidency.

c) Savings Negotiations with Third Countries

The agreement on the Amending Protocol between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments was signed by the Latvian Presidency on behalf of the EU on 27 May 2015. The Commission also provided regular updates on the negotiations with Liechtenstein, Monaco, Andorra and San Marino, which are also expected to be initialled shortly.

d) Common Consolidated Corporate Tax Base (CCCTB)

The Presidency took stock of the state of play in connection with the various fields of the proposal, in particular issues related to the tax base, and discussed the particular state of play and way forward on the international aspects of the CCCTB proposal. These international aspects will also be discussed in the light of the OECD BEPS deliverables expected for September 2015.

e) Cross-border tax rulings

The Commission proposal for a Council Directive amending Directive 2011/16/EU (DAC) as regards mandatory automatic exchange of information in the field of taxation was submitted to the Council in March 2015. Under the Latvian Presidency, the preparatory bodies of the Council focused on completion of the technical analysis of the Commission proposal and aimed at advancing the negotiations on this file as far as possible, with a view to an agreement on this file still in 2015.

The state of play of this file was submitted to the Council on 19 June 2015.

f) VAT files

i) Technical work was pursued on the Proposal concerning the VAT treatment of vouchers.

ii) With regard to the standard VAT return proposal, the Presidency proposed a new approach based notably on a minimum harmonisation of the content of VAT returns, and the option for Member States to further harmonise by requiring taxable persons to submit a standard VAT return, which allowed for substantial progress to be achieved in the technical examination of the proposal.

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 European Council, "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.
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² Doc. 10161/15 FISC 81 ECOFIN 529 CO EUR-PREP 29.

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