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OUTCOME OF THE COUNCIL MEETING

3515th Council meeting

Economic and Financial Affairs

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President **Edward Scicluna**
Minister for Finance of Malta

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's internet site or may be obtained from the Press Office.

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ITEMS DEBATED

VAT FRAUD - 'REVERSE CHARGE' MECHANISM

The Commission presented a proposal that would allow a generalised but temporary reversal of VAT liability to be applied in order to prevent VAT fraud.

The Council held an exchange of views.

The so-called reverse charge mechanism involves shifting liability for VAT payments from the supplier to the customer. It derogates from the general principles of the EU's VAT system.

The proposal was issued in December 2016 following a request by member states particularly affected by VAT fraud. It offers a short-term solution whilst a new VAT system is being prepared, as announced by an April 2016 Commission action plan.

Under the proposed directive, member states that wish to apply the reverse charge mechanism would be able to do so in a generalised but temporary manner for domestic supplies above a specified threshold.

Under the current rules, member states may apply the reverse charge mechanism on a temporary basis, but not in a generalised manner. They can only do so within a pre-determined list of sectors perceived as posing a higher risk of fraud.

The directive requires unanimity for adoption by the Council, after consulting the European Parliament. (Legal basis: article 113 of the Treaty on the Functioning of the European Union.)

[December 2016 proposal on a VAT generalised reverse charge mechanism VAT action plan, "Towards a single EU VAT area"](#)

PRESIDENCY PROGRAMME

The Maltese presidency presented a work programme for economic and financial affairs for the duration of its term, which runs from January to June 2017.

The programme covers financial services, economic governance, investment, taxation and the EU budget.

[2017 Maltese presidency programme](#)

ECONOMIC GOVERNANCE - 2017 EUROPEAN SEMESTER

The Council considered growth prospects and macroeconomic imbalances under the 'European Semester', the EU's annual policy monitoring process.

It adopted conclusions on two key aspects:

- the Commission's annual growth survey;
- the 'alert mechanism report', the starting point for the annual macroeconomic imbalances procedure.

It also approved a draft recommendation on the economic policies of the euro area.

The 2017 European Semester will conclude in July with the adoption of country-specific recommendations on the member states' economic, employment and fiscal policies.

- ***Annual growth survey***

In its 2017 annual growth survey, the Commission proposes to focus efforts on:

- boosting investment;
- pursuing structural reforms;
- responsible fiscal policies.

The Council broadly shared the Commission's analysis and agreed on the broad priority policy areas outlined in the report.

[Council conclusions on the 2017 annual growth survey](#)
[2017 annual growth survey](#)

– ***Alert mechanism report***

The Commission's 2017 alert mechanism report identifies 13 member states for which further analysis is needed to determine whether macroeconomic imbalances exist. These are Bulgaria, Croatia, Cyprus, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden.

The Council broadly shared the Commission's analysis, welcoming the progress made by member states in correcting their imbalances.

The Commission is due to publish 'in-depth reviews' for the 13 member states in February 2017.

[Council conclusions on the 2017 alert mechanism report
2017 alert mechanism report](#)

– ***Recommendation for the euro area***

The draft recommendation will be referred to the European Council in March, with a view to adoption by the Council on 21 March 2017.

It covers fiscal policy, competitiveness and productivity, labour market and social issues, EU banking union and the further development of economic and monetary union.

[Draft 2017 Council recommendation on the economic policy of the euro area](#)

BANKING REFORM - BASEL COMMITTEE

The Commission reported on international negotiations on post-crisis banking reform, focusing on progress made in the latest stages (since November 2016) and on next steps.

The Council held an exchange of views. It asked the Commission to keep it informed of further developments.

The reform has been undertaken by the Basel Committee, a forum of supervisory authorities whose aim is to enhance cooperation and improve bank supervision worldwide.

[Basel Committee on Banking Supervision](#)

EU BUDGET - OWN RESOURCES

The president of a high-level group on EU own resources, Mario Monti, presented a final report on the work of the group.

The Council held an exchange of views.

The high-level group was set up in February 2014, in line with an agreement on the EU's multi-annual financial framework for 2014-2020. The Council nominated three independent representatives to the group, whilst the European Parliament and the Commission each nominated three representatives.

The group's task was to reflect on more transparent, simple, fair and democratically accountable ways to finance the EU budget. Its report will serve as an input for the Commission's reflection on whether to propose a reform of the own resources system for the period after 2020.

[December 2016 report and recommendations of the high-level group on own resources](#)

[Commission webpage on the high-level group on own resources](#)

OTHER BUSINESS

– *Financial services*

The Council was updated as concerns work on legislative proposals on financial services.

[January 2017 secretariat note on progress on financial services legislative dossiers](#)

– *Investment in neighbouring countries*

The president of the European Investment Bank reported on implementation of and fundraising for the EIB's so-called resilience initiative in the EU's southern neighbourhood and the Western Balkans.

[EIB press release on humanitarian efforts for refugees by building economic resilience](#)

MEETINGS IN THE MARGINS OF THE COUNCIL

– Informal meeting with the European Parliament

On 26 January 2017, the 'presidency troika' (the current and two future presidencies) and the Commission held an informal meeting with representatives of the European Parliament.

The discussion focused on EU banking union and capital markets union, taxation, the European Fund for Strategic Investments and EU economic and monetary union.

– Eurogroup

The Eurogroup met on 26 January 2017.

It discussed implementation of Greece's economic adjustment programme and post-programme surveillance in Ireland and Portugal. It also discussed the IMF's annual consultation with the euro area, a draft Council recommendation on the economic policies of the euro area and Lithuania's and Spain's draft budgetary plans for 2017.

[Eurogroup main results](#)

– Ministerial breakfast

Ministers held a breakfast meeting to discuss the economic situation.

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Central securities depositories - Markets in financial instruments**

The Council decided not to object to the following Commission regulations:

- Commission regulation supplementing regulation 909/2014 on central securities depositories (CSDs) as regards the parameters for the calculation of cash penalties for settlement fails and the operations of CSDs in 'host' member states ([5069/17](#) + [14417/16](#) + ADD 1);
- Commission regulations supplementing regulation 909/2014 on CSDs with regard to regulatory technical standards (RTSs) further specifying the content of the reporting on internalised settlements, RTSs on authorisation, supervisory and operational requirements for CSDs, and RTSs on certain prudential requirements for CSDs and designated credit institutions offering banking-type ancillary services ([5089/17](#), [14410/16](#), [14412/16](#) + ADD 1 + [14415/16](#) + ADD 1);
- Commission regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards for the criteria to establish when an activity is considered to be ancillary to the main business ([5094/17](#) + [15164/16](#));
- Commission regulation supplementing directive 2014/65/EU on markets in financial instruments with regard to regulatory technical standards for the application of position limits to commodity derivatives ([5096/17](#) + [15163/16](#)).

The regulations are delegated acts pursuant to article 290 of the Treaty on the Functioning of the European Union. They can now enter into force, unless the European Parliament objects.

FOREIGN AFFAIRS

EU sanctions - Tunisia

The Council extended until 31 January 2018 a freeze on the assets of 48 persons deemed to be responsible for the misappropriation of state funds in Tunisia, and those persons and entities associated with them.

The sanctions were initially introduced on 31 January 2011, targeting former president Zine El Abidine Ben Ali, his wife and 46 other persons. The Council considered that the misappropriation of state funds is depriving the Tunisian people of the benefits of the sustainable development of their economy and society and undermining the development of democracy in the country. Those restrictive asset-freezing measures have been renewed every year since 2011.

See [press release](#).

Relations with Peru

The Council adopted terms of reference for an EU-Peru human rights dialogue.

Fight against terrorism

Following a standard six-monthly review, the Council adopted legal acts updating the list of persons, groups and entities subject to an asset freeze in line with Common Position 2001/931/CFSP on the application of specific measures to combat terrorism.

No change was made to the list.

[EU terrorist list](#)

JUSTICE AND HOME AFFAIRS

Schengen evaluation - Croatia, Italy and Luxembourg

The Council adopted implementing decisions setting out recommendations on addressing deficiencies identified in 2016 evaluations of Croatia and Luxembourg on the application of the Schengen acquis in the field of data protection ([5725/17](#) + [5726/17](#)).

It also adopted implementing decisions setting out a recommendation on addressing deficiencies identified in 2016 evaluations of Italy and Luxembourg on the application of the Schengen acquis as relates to the Schengen information system ([5727/17](#) + [5728/17](#)).

DEVELOPMENT COOPERATION

International Olive Council

The Council approved the position to be taken by the EU in the council of members of the International Olive Council with regard to an international agreement on olive oil and table olives ([5114/17](#)).

ENVIRONMENT

Substances that deplete the ozone layer

The Council decided not to oppose adoption by the Commission of a regulation regarding substances that deplete the ozone layer ([14900/16](#)).

The regulation amends annex VI to regulation [1005/2009](#) to add more clarity and consistency to the definition of new equipment.

The regulation is subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

Protection of wildlife

The Council decided not to oppose adoption by the Commission of a regulation regarding the protection of species of wild fauna and flora ([15274/16](#) +ADD1).

The regulation amends regulation [338/97](#) following a recent meeting of the parties to the Convention on international trade in endangered species of wild fauna and flora (CITES).

Regulation [338/97](#) regulates trade in animal and plant species, which are listed in an annex. The annex lists the species set out in the appendices to the CITES as well as species whose conservation status requires that trade be regulated or monitored.

At the 17th meeting of the CITES conference of the parties, in Johannesburg (South Africa) from 24 September to 4 October 2016 (CoP 17), certain amendments were made to the CITES appendices. The Commission regulation reflects these by amending the annexes to regulation [338/97](#).

The regulation is subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

ENERGY

Transmission tariff structures for gas

The Council decided not to oppose adoption by the Commission of a regulation establishing a network code on harmonised transmission tariff structures for gas ([14003/16](#)).

The regulation is subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

AGRICULTURE

Dioxins, dioxin-like PCBs and non-dioxin-like PCBs in certain foodstuffs

The Council decided not to oppose adoption by the Commission of a regulation laying down methods of sampling and analysis for the control of levels of dioxins, dioxin-like PCBs and non-dioxin-like PCBs in certain foodstuffs and repealing regulation 589/2014 ([15465/16](#) + [15465/16 ADD 1](#)).

The regulation is subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

Pesticides - maximum residue levels

The Council decided not to oppose adoption by the Commission of a regulation amending annexes II and III of regulation 396/2005 as regards maximum residue levels (MRLs) for sulfoxaflor in or on certain products ([15744/16](#) + [ADD 1](#) + [ADD 2](#)).

Regulation 396/2005 establishes the MRLs permitted in products of animal or vegetable origin intended for human or animal consumption. These MRLs include, on the one hand, levels that are specific to particular foodstuffs intended for human or animal consumption and, on the other, a general limit that applies where no specific level has been set.

MRL applications are communicated to the European Food Safety Authority (EFSA), which issues a scientific opinion on each intended new MRL. On the basis of the EFSA's opinion, the Commission proposes a regulation to establish a new MRL or to amend or remove an existing MRL, modifying the annexes of regulation 396/2005 accordingly.

The regulation is subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

FOOD LAW

Food additives and flavouring substances

The Council decided not to oppose adoption by the Commission of the following regulations on food additives and flavouring substances:

- a regulation amending the specifications for the food additive methacrylate copolymer (E 1205) ([15545/16](#));
- a regulation authorising the use of steviol glycosides (E 960) as a sweetener in certain energy-reduced confectionery products ([15619/16](#));
- a regulation laying down transitional periods for certain flavouring substances ([15675/16](#))

The regulations are subject to the regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt them unless the European Parliament objects.
