



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 17 April 2013**

**8550/13**

**PE 172  
ECOFIN 269  
FIN 201  
FISC 71  
JUR 202  
RESPR 6  
SOC 249**

**NOTE**

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from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament <b>Committee on Economic and Monetary Affairs (ECON)</b> , held in Brussels on 11 April 2013

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The meeting was chaired by Mr Zalba Bidegain (EPP, ES).

**1. Adoption of the agenda**

The agenda was adopted.

**2. Approval of minutes of meeting of 11 and 20-21 March 2013.**

The minutes were approved.

**3. Chair's announcements**

Mr Zalba Bidegain (EPP, ES) informed the committee that following the vote in plenary on 16 January 2013 and in accordance with rule 216 of the European Parliament's (EP) Rules of Procedure, draft corrigenda had been tabled for both the Directive and the Regulation on credit rating agencies (CRA3). He explained that in the absence of any objections, the corrigenda would be submitted to the EP in the next plenary session and deemed approved unless a request was made by a political group or at least 40 members to the effect that the corrigenda should be put to a vote.

Mr Zalba Bidegain also announced that draft corrigenda on the 'two-pack', which had been adopted at first reading by the EP's plenary on 12 March 2013, had also been submitted and would also be announced at the opening of the EP's April plenary session. He also explained that, in accordance with Article 294 (4) of the Treaty on the Functioning of the European Union (TFEU), if the Council approved the EP's position at first reading the legislative act would be adopted with the wording corresponding to the EP's position.

As regards ongoing trilogues, he informed the committee that further progress had been made in March 2013 following the second political trilogue on FISCALIS at the end of February 2013 and that a close to final agreement had been circulated among shadow rapporteurs on 12 April for comments to be submitted by 23 April.

#### **4. Reconsultation of the Committee: Rule 70 of the Rules of Procedure**

Mr Zalba Bidegain (EPP, ES) told the committee that on 20 March 2013 a compromise had been reached on the Capital Requirements Directive and Regulation (CRDIV) with the Irish Presidency and Commissioner Barnier. He noted that political agreement had been reached 20 months after the Commission's initial proposal had been published (July 2011) and that COREPER had confirmed the agreement on 27 March 2013. He added that a letter and a draft consolidated text had been circulated to all committee members. The committee agreed by unanimity to table both texts for the European Parliament's plenary in April.

**\*\*\* *Voting time* \*\*\***

#### **5. Annual report on competition policy**

ECON/7/09862 2012/2306(INI)  
Rapporteur: Mr Antolín Sánchez Presedo (S&D)  
Adoption of draft report

The draft report was approved, with 23 votes in favour, 0 against and 11 abstentions.

#### **6. Completing the Scoreboard for the Macroeconomic Imbalance Procedure (MIP)**

ECON/7/12273 2013/2582(RSP)  
Rapporteur: Ms Sharon Bowles (ALDE)  
Adoption of motion for a resolution

The motion for a resolution was approved, with 32 votes in favour, 1 against and 1 abstention.

**\*\*\* *End of vote* \*\*\***

## 7. Implementing enhanced cooperation in the area of financial transaction tax

ECON/7/11981 2013/0045(CNS)  
Rapporteur: Ms Anni Podimata (S&D)  
Consideration of draft report

In her initial address, Ms Podimata (S&D, EL) reminded the committee that the 11 Member States (MS), in their letters of intention to enter into enhanced cooperation on the Financial Transaction tax (FTT), had requested that the revised Commission proposal be based on the initial one: to be wide in scope and avoid relocation. She welcomed the incorporation of one of the European Parliament's (EP) key suggestions in the revised Commission proposal, namely the issuance principle. She considered the principle to be a strong disincentive as regards relocation. She added that the current proposal constituted the first attempt to apply enhanced cooperation in the field of taxation. In her opinion, this was relevant to the broader debate on closer cooperation and deeper integration in taxation matters and the future of the Economic and Monetary Union (EMU). She explained that the draft report would endeavour to strengthen the Commission proposal by attempting to close some loopholes, reinforcing mechanisms to prevent tax evasion and tax avoidance and ensuring a harmonised and effective implementation across the 11 MS. She deplored the exemption of Over The Counter (OTC) derivatives from the issuance principle, which in her opinion constituted a loophole. She regretted, too, the fact that the Commission proposal didn't introduce the EP's recommendation on the ownership principle on the grounds that not every MS had the administrative arrangements in place to enforce it. She thought that MS were responsible for putting in place the necessary arrangements to make it work. The reason for this was that, in her opinion, the ownership principle was key to raising the cost of tax avoidance to such a high level as to effectively deter such avoidance. She proposed strengthening the residence principle by clarifying that branches of EU institutions registered within the FTT jurisdiction would fall within the scope of the FTT and that branches outside the FTT jurisdiction could not be used for tax avoidance. She also recommended revising the definition of uncooperative jurisdictions, updating the Commission's action plan against tax fraud and tax evasion and having participating MS using the existing European legislation to a full extent in order to collect the data and the tax due by institutions in non-participating MS. She pointed out that MS had an obligation for administrative cooperation in the field of taxation through Directive 2011/16, and for mutual assistance in the recovery of claims relating to tax duties and other measures through Directive 2010/24. In addition, she noted that the EU should enter into negotiations with third countries in order to facilitate the collection of the FTT.

Ms Podimata also proposed the establishment of an FTT committee comprised of MS representatives, the Commission, the European Securities and Markets Authority (ESMA) and the European Central Bank (ECB) to discuss the best use of existing legislation in the field of taxation, financial services and cooperation in taxation matters established by international organisations. Finally, she recommended that delegated acts on reporting and accounting requirements and implementing acts on uniform methods of collection became obligatory.

In the debate that followed, all speakers welcomed the report. Mr Giegold (Greens/EFA, DE) thought it essential to stop short-termism, reduce speculation and address tax evasion and tax avoidance. Mr Karas (EPP, DE) underlined the importance of social fairness (apart from increasing tax revenues). The latter, Mr Tremosa I Balcells (ALDE, ES) and Mr Besset (Greens/EFA, FR) recommended having part of the FTT revenue used as genuine Union own resources which, in their view, should not imply a reduction of MS contributions, favouring instead an increase in the EU budget. Mr Besset expressed concerns about the use of tax revenue, which in his opinion ought to promote public good and curb speculation. He saw the current proposal as the first attempt to establish a genuine EU system of own resources and expressed his group's support on calls for better tax collection. Mr Giegold judged it was essential to have low rates with wide scope and very limited exemption and favoured the creation of an FTT committee to ensure the success of the FTT, whereas Mr Karas suggested exempting intragroup transactions in order to increase liquidity calling for coherence between legislative acts on this point. He also stated that off stock market transactions should be taxed higher than on stock market transactions. Mr Karas and Mr Giegold advocated the implementation of the FTT by all the EU Member States and ultimately at the G20 level to maximise its effectiveness. Mr Karas and Mr Tremosa I Balcells preferred a harmonised standard tax rate instead of a minimum tax rate in order to avoid distortions. Mr Gauzès (EPP, FR), Mr Tremosa I Balcells and Mr Giegold warned against possible negative repercussions and distortions arising from the FTT's introduction. Despite agreeing with the principles and objectives of the FTT, Mr Gauzès mentioned delocalisation and bankruptcy risks. He suggested looking into the tax base as well as counterproductive situations to ensure the success, the viability and the effectiveness of the FTT in terms of revenue collection, whereas Mr Tremosa I Balcells considered that the FTT should not negatively affect pension funds and public debt markets, and suggested an asymmetric approach to avoid a lack of liquidity. Together with Mr Giegold, both agreed with the rapporteur's suggestions to ensure that the FTT was as dynamic as possible in order to make use of new instruments that could be created in the future, and asked for clarifications on amendment 16 on the transfer of legal titles.

The Commission representative welcomed the report and noted that it went somewhat further than the Commission proposal, particularly on anti-avoidance provisions, on the FTT's collection and implementation and on exemptions. He explained that the Commission always pursued the principle of maximum harmonisation and minimum tax rates in the field of indirect taxation to safeguard the single market, stressing that MS could apply higher rates. He expressed the Commission's understanding for the EP's desire to strengthen the anti-avoidance provisions, but underlined the need to respect international legislation in particular with regard to the territorial link and derivatives. He noted that Commission favoured harmonisation on the collection and implementation of the FTT for reasons of cost effectiveness and to improve the ability of the EU to interact with third countries' jurisdictions. He nevertheless questioned whether this should be envisaged in the current proposal or left for MS to agree on a coordinated approach. He pointed out that the more exemptions there were, the more difficult it would be to collect the FTT in a cost effective manner and warned against the cumulative effects of privileges such as in the case of pension funds. He thought it necessary to address the effectiveness of the tax without harming the activities of the secondary market on public debt to ensure liquidity, instead of questioning whether or not it should be taxed. He agreed that it was essential to ensure that design was right and that the collection and implementation on the ground worked in this initial phase so as to ensure its success and enable further enlargements inside and outside the EU.

Ms Podimata underlined the broad consensus on the move towards a global FTT and a genuine system of own resources. She agreed that the proceedings of the FTT should not replace the contributions of individual MS but should complement them instead. She opposed exemptions from the scope of the tax, as these could induce less efficiency and more tax evasion and tax avoidance. She noted that pension funds should adopt conservative investment strategies which would be fully compatible with the main purpose of pension funds. She explained that the Commission's impact assessment had demonstrated that the effect of the FTT on the cost of government borrowing was estimated at EUR 2.5 billion and on the revenues at EUR 6.5 billion. She preferred a minimum rate instead of a uniform rate, as well as differentiated rates in order to assess markets' reaction, adding that if the FTT committee were established, it could subsequently evaluate the best strategy to follow.

Deadline for amendments: 23 April 2013. Consideration of amendments: 27 May 2013.

Vote in ECON: 28 May 2013. Vote in plenary: July 2013.

## 8. Annual Tax report: how to free the EU's potential for economic growth

ECON/7/11579 2013/2025(INI)  
Rapporteur: Ms Ildikó Gáll-Pelcz (EPP)  
Consideration of amendments

In her introductory statement Ms Gáll-Pelcz (EPP, HU) told the committee that 149 amendments had been tabled, mainly on tax reduction and evasion as well as on environmental and corporate taxation. In her opinion, EU tax strategy had to be consistent with the EU2020 objectives, deal with productivity and employment issues, respect national sovereignty on tax policy and acknowledge differences between tax systems in the EU. She mentioned that her report was based on the Commission's Action Plan on the avoidance of double taxation and tax havens and focused on taxation with a green orientation.

In the debate that followed Mr Ludvigsson (S&D, SE) and Mr Tremosa I Balcells (ALDE, ES) questioned the concept of 'tax snake' and the notion of full fiscal harmonization. Mr Ludvigsson called for further clarification on the 'tax snake' concept and expressed reservations about enhanced harmonization in the field of taxation. In his opinion, the exchange of information and transparency could be improved without further harmonization. He therefore proposed avoiding the term 'tax snake'. Mr Tremosa I Balcells also shared the concern regarding the concept of 'tax snake' since he too opposed full harmonization at European level, preferring instead the harmonization of the productive factors. He mentioned the model of tax competition in the US which he felt provided efficiency to the economy and favoured fiscal policy autonomy at the state level. He recommended extending fiscal policy autonomy for local regions to improve competition and reduce unemployment, adding that this should be reflected in compromise 1 (a). On the other hand, Mr Klute (GUE/NGL, DE) noted that tax competition could result in the fall of government tax revenues and the deterioration of public finances. Moreover, Mr Ludvigsson stressed the need to establish a link between tax policy and growth and recommended fighting tax fraud and tax evasion to strengthen public finances, to create the preconditions for sustainable long term growth and to foster fair competition. He considered it useful as well to remove obstacles to the single market to stimulate growth and called for progress on the VAT directive and the Common Consolidated Corporate Tax Base (CCCTB). He also favoured further cooperation between national tax authorities and addressing social aspects to avoid creating tax structures that would increase social divisions and in the process he questioned moves towards taxing consumption. In his opinion environmental taxes should represent a larger proportion of revenues.

Mr Tremosa I Balcells also proposed having cultural goods and services considered as products of first need in terms of VAT treatment in the compromise on paragraph 8 (new).

Ms Gáll-Pelcz informed the committee that a meeting with the shadow rapporteurs was scheduled for 17 April. She perceived the 'tax snake' concept as an intelligent form of coordination and felt that full fiscal harmonization at European level was unnecessary at present; she favoured instead a monitoring system of individual tax measures that would promote transparency. In her opinion, it was not the main purpose of tax policy to address imbalances at EU level.

Vote in ECON: 24 April 2013. Vote in plenary: May 2013.

**9. Amendment of Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty and**

**Amendment of Regulation (EC) No 994/98 on the application of Articles 92 and 93 of the Treaty establishing the EC to certain categories of horizontal State aid and Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road**

ECON/7/11480 2012/0342(NLE) and ECON/7/11473 2012/0344(NLE)  
Rapporteurs: Ms Sirpa Pietikäinen (EPP) and Mr Herbert Dorfmann (EPP)  
Consideration of draft reports

In her introductory remarks, Ms Pietikäinen (EPP, FI) mentioned that the procedural arrangements on state aid rules from 1999 had not been significantly modified since their adoption and that the current reform aimed at improving public spending, at supporting the EU2020 objectives (green, innovative social inclusive growth), at facilitating public budget consolidation, at improving the handling of complaints, shortening the time required for their investigation and ensuring their authenticity, at reducing the number of spurious claims and at increasing transparency. It sought as well to provide adequate resources to investigate the most serious cases and to ensure that the submission of future complaints contained obligatory information demonstrating the alleged misuse of state aid. She thought it essential to improve the effectiveness of state aid control and underlined the existence of different interpretations within the EU. She considered it important to verify how Member States (MS) were interpreting the rules in order to reduce administrative burdens both at national and European level and suggested creating a fast track for the handling of complaints to ensure that the Commission did not have to issue a formal decision in situations where it was clear that no rules had been breached.

Ms Pietikäinen pointed out that the Commission had to deal frequently with minor offences that were time-consuming and wasteful of resources and that it lacked the adequate tools to identify the main case of state aid distortion. She proposed verifying the consistency of rule enforcement at national level and giving the Commission adequate tools for supporting and addressing national courts and requesting information from other stakeholders than MS. Finally, she also agreed with the introduction of a sanctions regime in cases where wrong information was provided and procedures ignored.

In his opening comments, Mr Dorfmann (EPP, DE) explained that the Commission had proposed additional block exemptions (cultural sector, protection of cultural heritage, consequences of natural catastrophes, fisheries sector, innovation, forestry, food industry, biological diversity, amateur sports, public transports, broadband infrastructure) to enable the exemption of certain sectors and products from state aid rules and in particular from the procedure for notifying the Commission. He proposed clearly defining the blocks for exemption which he thought ought to be in line with the EU2020 objectives. Accordingly, he proposed exempting broadband and long-distance transport but opposed the inclusion of sports infrastructure. He called for a new directive on public procurement to ensure efficiency, transparency and fair competition in all EU countries. He underlined the existing democratic deficit and the residual involvement of the European Parliament (EP) in the area of state aid (consultation procedure). Consequently, he suggested that the Commission submitted a report to the EP and the Council every two years on the application of the block exemption regulation. Finally, he opposed the Commission's intention to delete Article 9 of Regulation 1370/2007 which would make the EP lose its codecision competencies in the area of local public transport.

In the debate that followed all speakers supported both Commission proposals. Nevertheless, some expressed apprehension regarding the lack of involvement of the EP and at attempts to widen the scope of exemptions.

Mr Cutaş (S&D, RO) shared the concerns expressed by Mr Dorfmann over the issue of the democratic deficit. He supported the Commission proposal (Ms Pietikäinen's report) which aimed at modernizing state aid procedures and making the complaint management process more efficient. He considered the cooperation between the Commission and national courts essential and he accepted the idea that the Commission should be able to obtain all the information from market participants in the event that the information provided by Member States was insufficient. In his opinion research and innovation should be in line with the EU2020 initiative.



Mr Cutaş suggested having the vote on both proposals before the Council meeting on 29 May. Ms In't Veld (ALDE, NL) raised doubts about widening the scope of the regulation on exemptions. In her opinion, exemptions had to be justified before widening the scope. She agreed with the enhanced focus on serious cases but noted that minor cases should not be neglected either because they could also have an impact on the market. She welcomed Mr Dorfmann's proposals to have clearer criteria for exemptions and to retain a level playing field on procurement rules. She expressed doubts about amendment 6 and the exemption of EU-funded projects since EU scrutiny in itself was no guarantee. She thought state aid should always be temporary in nature. She agreed with earlier remarks on the democratic deficit and the role of the EP. On behalf of Ms Bowles (ALDE, UK), she supported the proposal to ensure that the complaints brought to the Commission were evidence-based. She also favoured the notion of market test in amendment 2 but asked for more details. She agreed with amendment 8 to have MEPs involved in a more formal construct via motions for resolution rather than just on an individual basis and to have the Commission to produce interim reports to the EP. She favoured enhancing transparency and having the Commission reports on the findings regarding complaints published in the Official Journal as well as on the DG for Competition website. She expressed concerns at the revocation of the EP's codecision rights as she believed that the EP should retain an oversight over state aid matters. Mr Besset (Greens/EFA, FR) also agreed with the Commission proposals. He favoured the tools on market information and market sector surveys. He agreed with calls for consistency with the EU 2020 strategy and expressed concern about the democratic deficit. He proposed using the gateway clause in 4073 to ask for unanimity in the Council after obtaining the EP's consent to pass a legal text without having to go through the ordinary review of the treaty. Mr Klute (GUE/NGL, DE) noted that his group supported both reports. He proposed clearly defining in which cases was state aid beneficial (or not). He asked if education and training should be exempted. On the Pietikäinen report, he proposed addressing the third sector and civil society. He warned against the Commission abusing its own powers and wanted to make sure the correct checks and balances were put in place.

Deadline for amendments: 13 April 2013. Consideration of amendments: 27-28 May 2013.

Vote in ECON: 6 June 2013. Vote in plenary: July 2013.

## **10. Date of next meeting**

The next meeting will be held in Brussels on 24 April 2013.