COUNCIL OF
THE EUROPEAN UNION

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PRESS RELEASE

3248th Council meeting

Economic and Financial Affairs

Luxembourg, 21 June 2013

President **Mr Michael Noonan**
Minister for Finance of Ireland.

P R E S S

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Main results of the Council

*The Council approved **country-specific recommendations** to the member states on their economic and fiscal policies. The recommendations will be referred to the European Council, under this year's European Semester process, with a view to formal adoption in July.*

*The Council closed excessive deficit procedures for **Italy, Latvia, Lithuania, Hungary** and **Romania**, gave notice to **Belgium** on measures to correct its deficit, extended the deadlines for **Spain, France,** the **Netherlands, Poland, Portugal** and **Slovenia** to correct their deficits, and reopened an excessive deficit procedure for **Malta**.*

*It approved the extension of loan maturities for **Ireland and Portugal**, and agreed a package of measures to combat **VAT fraud**.*

*The Council also approved a proposal allowing **Latvia to adopt the euro** as its currency as from 1 January 2014. The proposal will be referred to the European Council before a final decision is taken in July.*

CONTENTS[1]

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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.

ENVIRONMENT

TRANSPARENCY

PARTICIPANTS

Belgium:	
Mr Koen GEENS	Minister for Finance, with responsibility for the Civil Service
Bulgaria:	
Mr Petar CHOBANOV	Minister of Finance
Czech Republic:	
Mr Tomáš ZÍDEK	Deputy Minister for Finance
Mr Radek URBAN	Deputy Minister for Finance
Denmark:	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
Germany:	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Michael NOONAN	Minister for Finance
Mr Brian HAYES	Minister of State with responsibility for Public Service Reform and the OPW (Department of Public Expenditure and Reform)
Greece:	
Mr Ioannis STOURNARAS	Minister for Finance
Spain:	
Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
France:	
Mr Pierre MOSCOVICI	Minister for the Economy and Finance
Italy:	
Mr Fabrizio SACCOMANNI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Charis GEORGIADES	Minister for Finance
Latvia:	
Mr Andris VILKS	Minister for Finance
Lithuania:	
Mr Rimantas ŠADŽIUS	Minister for Finance
Luxembourg:	
Mr Luc FRIEDEN	Minister for Finance
Hungary:	
Mr Mihály VARGA	Minister for the National Economy
Malta:	
Mr Edward SCICLUNA	Minister for Finance
Netherlands:	
Mr Jeroen DIJSSELBLOEM	Minister for Finance
Austria:	
Mr Andreas SCHIEDER	State Secretary, Federal Ministry of Finance
Poland:	
Mr Jacek ROSTOWSKI	Deputy Prime Minister and Minister for Finance
Portugal:	
Mr Vítor GASPAR	Ministro de Estado, Minister for Finance
Romania:	
Mr Liviu VOINEA	Minister Delegate for Budget, Ministry of Public Finance

Slovenia:	
Mr Mitja MAVKO	State Secretary, Ministry of Finance
Slovakia:	
Mr Vazil HUDÁK	State Secretary at the Ministry of Finance
Finland:	
Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr Greg CLARK	Financial Secretary to the Treasury

Commission:	
Mr Olli REHN	Vice President
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member

Other participants:	
Mr Vítor CONSTÂNCIO	Vice President of the European Central Bank
Mr Werner HOYER	President of the European Investment Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Hans VIJLBRIEF	President of the Economic Policy Committee

The Government of the Acceding State was represented as follows:

Croatia:	
Mr Boris LALOVAC	Deputy Minister for Finance

ITEMS DEBATED

EUROPEAN SEMESTER - COUNTRY-SPECIFIC RECOMMENDATIONS

The Council approved, under this year's *European Semester*, draft recommendations to 23 member states[1] on the economic policies set out in their national reform programmes, as well as draft opinions on each member state's fiscal policies, as presented in their stability/convergence programmes.

It also approved a specific draft recommendation on the economic policies of the euro area member states, and draft conclusions on Croatia (which will join the EU on 1 July).

The texts will be forwarded to the General Affairs Council on 25 June, with a view to the European Council meeting on 27 and 28 June. Recommendations covering both economic and employment policies are due to be adopted in July.

For details, see press release 11094/13.

[1] All except Cyprus, Ireland, Greece and Portugal, which are subject to macroeconomic adjustment programmes. To avoid duplication, there are no additional recommendations for these countries.

EXCESSIVE DEFICIT PROCEDURE

Italy, Latvia, Lithuania, Hungary and Romania

The Council adopted decisions closing the excessive deficit procedures for Italy, Latvia, Lithuania, Hungary and Romania, confirming that these countries have reduced their deficits below or, in the case of Italy and Lithuania, to 3% of GDP, the EU's reference value for government deficits.

Spain, France, the Netherlands, Poland, Portugal and Slovenia

The Council adopted recommendations extending the deadlines set for Spain, France, Poland and Slovenia, by two years, and for the Netherlands and Portugal, by one year, for correcting their deficits. It set 1 October 2013 as a deadline for all six countries to take corrective action.

Belgium

The Council stepped up the excessive deficit procedure for Belgium, establishing that action taken in order to correct its deficit has been insufficient and giving notice to take the necessary measures.

Malta

It also opened an excessive deficit procedure for Malta, setting 1 October 2013 as a deadline for taking corrective action.

For details, see press releases 11230/13, 11232/13, 11190/13 and 11193 /13.

JOB CREATION AND FINANCING OF THE ECONOMY

The Council took note of a report by the Commission and the European Investment Bank on the possibilities and targeted priorities for boosting the economy. It held an exchange of views.

At its March meeting, the European Council noted that the recent €10 billion increase in the EIB's capital will allow it to lend an additional €60 billion in support of growth and employment. Together with the European Investment Fund, this will help catalyse projects worth up to €180 billion in the 2013-15 period.

The European Council will assess implementation at its meeting on 27-28 June, "with a particular emphasis on measures aimed at creating jobs and on boosting the financing of the economy for fast-acting growth measures".

The EIB has particular role to play as concerns infrastructure, energy and resource efficiency, the digital economy, research and innovation, and access to finance for SMEs. EIB activities in support of measures to fight youth unemployment were also highlighted.

EFSM LOANS TO IRELAND AND PORTUGAL

The Council adopted decisions extending by seven years the maturities of loans to Ireland and Portugal from the European Financial Stabilisation Mechanism (EFSM).

This follows agreement reached in principle at an informal meeting in Dublin in April.

The average maturities are extended from 12.5 years to 19.5 years in order to smoothen the two countries' debt redemption profiles and lower their refinancing needs in the period subsequent to their economic adjustment programmes.

The aim is to support the two countries' efforts to regain full access to market financing and thus to successfully exit their economic adjustment programmes.

For details, see press release 11235/13.

ADOPTION OF THE EURO BY LATVIA

The euro area member states, meeting within the Council, adopted a recommendation in favour of a proposal to allow Latvia to join the currency union on 1 January 2014.

They agreed with the Commission's assessment that Latvia has achieved a high degree of sustainable convergence and therefore fulfils the necessary conditions for adoption of the euro as its currency.

The Council is expected to adopt the decision in July, after consulting the European Parliament and following a discussion in the European Council on 27 and 28 June. It approved the text of a letter to the European Council on the outcome of its discussion.

For details, see press release 11276/13.

CLIMATE AND ENERGY

The Council discussed the follow-up to the European Council's meeting on 22 May as regards policy options in the field of climate and energy. The presidency concluded that it would reflect, together with incoming presidencies, on the next steps to prepare a discussion in the European Council next year.

The issue was discussed at the request of the Poland, which has advocated an enhanced role for the Economic and Financial Affairs Council in assessing the impact of EU legislation, including environmental legislation, on economic growth and public finances.

With reference to a Commission green paper on a 2030 framework for climate and energy policies, the European Council decided to discuss this issue in March 2014, once the Commission has presented proposals.

TAX REPORTS

The Council endorsed two sixth-monthly reports to the European Council:

– a report on tax issues; and

– a report on tax issues by finance ministers of countries participating in the *Euro Plus Pact*[1].

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[1] Concluded in March 2011 by 23 of the 27 member states, the *Euro Plus Pact* is aimed at strengthening economic policy coordination with a view to improving competitiveness and enabling a greater degree of convergence.

COMBATING TAX FRAUD - AUTOMATIC EXCHANGE OF INFORMATION

The Council took note of the presentation by the Commission of a proposal to amend directive 2011/16/EU on administrative cooperation in the field of direct taxation, by extending the scope for the mandatory automatic exchange of information (doc. *10243/13*).

The Council held a brief exchange of views. It called on the working group to start technical work on the proposal.

The proposal is intended to enable the member states to better combat tax fraud and tax evasion, and the Commission cites two main objectives. Firstly, increased tax revenues would provide greater scope for restructuring tax systems in a way that better promotes economic growth. Secondly, in difficult economic times, the proposal will reduce the pressure on honest taxpayers to compensate for revenue losses incurred due to fraudsters and tax evaders.

At its meeting on 22 May, the European Council called for priority to be given to the automatic exchange of information at the EU and global levels.

Directive 2011/16/EU provides a framework for mutual assistance between member states, especially via the exchange of information, so as to enable them to better assess taxes due. It sets out the details to be specified in requests for information on taxpayers, and prevents requests from being refused on grounds of bank secrecy.

As concerns the automatic exchange of information, the directive sets out a step-by-step approach for the categories of income and capital covered.

Under the Commission's proposal, dividends, capital gains, other financial income and account balances would be brought within the scope of the automatic exchange of information; and the scope of a revision of the directive, scheduled for 2017, would be expanded.

The agreements that many governments are concluding with the United States as regards the US foreign account tax compliance act (FATCA) have given further impetus to the automatic exchange of information as a means of combating tax fraud and tax evasion. In April, Germany, Spain, France, Italy and the United Kingdom announced a pilot action using the FATCA as a model.

Based on article 115 of the Treaty on the Functioning of the European Union, the directive requires unanimity for adoption by the Council, after consulting the European Parliament.

OTHER BUSINESS

- Business taxation - Code of conduct

The Council discussed a report on implementation of a code of conduct aimed at eliminating situations of harmful tax competition. Agreement was reached on the report and on draft conclusions. These will be adopted without further discussion at a forthcoming session.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

- ESM board of governors

The board of governors of the European Stability Mechanism held a meeting on 20 June.

- Eurogroup

Ministers of the euro area member states attended a meeting of the Eurogroup on 20 June.

- Ministerial breakfast meeting

Ministers held a breakfast meeting to discuss the economic situation.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Combating VAT fraud

The Council reached political agreement on a package of measures aimed at enabling member states to better combat VAT fraud (*10541/13 ADD 1*, *10150/13* + *10151/13*).

The measures will be based on two directives:

– one aimed at enabling immediate measures to be taken in cases of sudden and massive VAT fraud ("quick reaction mechanism");

– the other allowing member states to implement, on an optional and temporary basis, a reversal of liability for the payment of VAT on the supply of certain goods and services ("reverse charge mechanism").

For details, see press release 11286/13.

Markets in financial instruments

The Council confirmed a general approach reached on new draft rules (regulation and directive) relating to markets in financial instruments.

It called on the presidency to start negotiations with the European Parliament, on the basis of the general approach, with a view to reaching an agreement at first reading.

For details, see press release 11067/13.

Energy taxation

The Council took note of a report on progress on a draft directive on the taxation of energy products, and on suggestions for further work (*10825/13*).

The proposal is aimed at restructuring directive 2003/96/EC on energy taxation in order to align it more closely with EU energy and climate change objectives.

VAT rules - Place of supply

The Council reached political agreement on a draft regulation aimed at amending VAT rules as regards the place of supply of telecommunications, broadcasting and electronic services, real estate services and the distribution of tickets for entry to cultural, artistic, sporting, scientific, educational, entertainment and similar events (*10632/13*).

European Central Bank - Österreichische Nationalbank - Suomen Pankki

The Council adopted a decision approving Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft as external auditors of the European Central Bank for the 2013 to 2017 financial years (*10421/13*);

It also adopted decisions approving:

– KPMG Wirtschaftsprüfungs- und Steuerberatungs AG as external auditors and PwC Wirtschaftsprüfung GmbH as alternate external auditors of the Österreichische Nationalbank for the 2013 to 2017 financial years (*10440/13*);

– PricewaterhouseCoopers Oy as external auditors of Suomen Pankki for the 2013 to 2019 financial years (*10426/13*).

ENVIRONMENT

Strategy on adaptation to climate change

The Council adopted the following conclusions.

"The Council of the European Union

1. WELCOMES the adoption of the Commission Communication "An EU Strategy on adaptation to climate change"[1] and of the Green Paper on the insurance of natural and man-made disasters; TAKES NOTE of the Council Conclusions of the 18 June 2013 adopted on this topic[2];

[1] 8556/13
[2] 11151/13

2. ACKNOWLEDGES that addressing the additional adaptation needs to prevent and alleviate the current and projected negative impacts of climate change will entail economic costs in the short run and require appropriate funding; UNDERLINES that delays in taking adequate adaptation action are likely to generate even higher costs and, negative impacts on sectoral outputs, on employment, health and infrastructure, with differential impacts at national and regional level; ACKNOWLEDGES the need to target the most cost effective adaptation measures, to increase climate resilience across the economy, based on consistent economic and vulnerability assessment frameworks; ACKNOWLEDGES that effective adaptation action should facilitate more climate resilient investments and more sustainable choices for investment – both private and public , and is expected to create new market opportunities for sustainable growth and job creation; RECALLS the Conclusions of the European Council on 7-8 February on the Multi-annual Financial Framework[1] underlining the importance of further mainstreaming the climate action objectives in the future EU budget; UNDERLINES that within national public sector frameworks, further initiatives by the private sector action are needed, including by the insurance industry to managing climate risk, in order to complement public intervention on adaptation."

TRANSPARENCY

Transparency - public access to documents

The Council approved:

– the reply to confirmatory application No 12/c/01/13 with all delegations voting in favour *(9441/13)*

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[1] EUCO 37/13