COUNCIL OF
THE EUROPEAN UNION

Brussels, 13 January 2012

5282/12

PE 2
ECOFIN 27
FIN 15
FISC 5
JUR 11
RESPR 3

NOTE

from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary record of the meeting of the European Parliament **Committee on Economic and Monetary Affairs (ECON)**, held in Brussels on 9 January 2012

The meeting was chaired by Mr Klinz (ALDE, DE) and Mr Scicluna (S&D, MT).

1. Common system for taxing financial transactions and amendment to Directive 2008/7/EC

ECON/7/07286 2011/0261(CNS)
Rapporteur: Ms Anni Podimata (S&D)
First exchange of views

In her initial address, Ms Podimata (S&D, EL) listed some of the reasons for adopting a common Financial Transaction Tax (FTT), such as to ensure that financial institutions made a fair contribution to the costs of the recent crisis, to avoid tax distortion, to curtail the activities of the speculative sector, and to complement ongoing financial market regulatory reforms.

She also outlined some elements designed to mitigate negative effects in terms of GDP, such as the reduction of market transaction volumes, the risks of offshoring and avoidance strategies, by referring to the use of the residence principle (taxation in the Member State of establishment of financial actors irrespective of the location of the transaction), the exclusion from the FTT of financial transactions with the European Central Bank (ECB) and national banks, and ring-fencing the lending and borrowing activities of private households and enterprises and other day-to-day financial activities such as mortgage lending and payment transactions. She noted that the tax rate in the case of derivatives would be no lower than 0.01% and 0.1% for all other financial transactions. Overall, Ms Podimata explained that the FTT was designed to deter transactions detrimental to the real economy. Finally, she mentioned the differences of opinion which existed within the Council, stating that the European Union could not be held hostage by certain Member States (MS).

In the subsequent debate, apart from some ECR, ALDE and EFD committee members who underlined their scepticism, (Mr Strejčeck (ECR, CZ), Ms Ford (ECR, UK), Mr Eppink (ECR, BE), Mr Haglund (ALDE, FI), Mr Schmidt (ALDE, SI) and Ms Andreasen (EFD, UK)), all the remaining speakers supported the adoption of the FTT, ideally at global level, alternatively at European level and in the latter case at euro zone level, (Ms Pietikaïnen (EPP, FI), Mr Klinz (ALDE, DE), Mr Canfin (Greens/EFA, FR), Mr Klute (GUE/NGL, DE), Mr Bullmann (S&D, DE), Mr Gauzès (EPP, FR) and Mr Giegold Greens/EFA, DE)). There was also broad support for the residence principle from Ms Pietikaïnen, Mr Klinz, Mr Klute and Mr Canfin, who, unlike Mr Strejčeck, considered it a good mechanism for preventing tax evasion and offshoring. Ms Hübner (EPP, PL), Mr Haglund and Mr Strejčeck feared that the cost of the FTT would ultimately be passed on to the consumer, whereas Mr Klute judged this normal since consumers were also part of the system. Mr Hoang Ngoc (S&D, FR) questioned the existence of different tax rates, while critics of the FTT voiced their apprehension regarding the loss of competitiveness of the European financial market if the FTT was not adopted globally and a splitting of the market if the FTT were not adopted in all 27 MS (Ms Ford, Mr Eppink, Mr Haglund, Mr Schmidt). Mr Gauzès, Ms Pietikaïnen and Ms Jensen (ALDE, DK) demanded further clarification on the use of part of the FTT proceeds as a new own resource to be entered in the budget of the European Union (EU).
The Commission representative welcomed the broad support for the proposal, notably on the 'residence principle', which, according to him, was also intended to bring the activities of third-country financial operators with links to the EU within the scope of the text as far as possible.

He mentioned the Commission's willingness to discuss the application of the issuance principle (taxation of financial instruments issued in the EU irrespective of whether or not they were traded by European financial institutions). He explained that the proposal was meant for all 27 MS and that using part of the FTT receipts as an EU own resource could only be envisaged if that were the case. He did not rule out the idea of a subgroup of MS going ahead with the FTT through other legal frameworks such as enhanced cooperation. He pointed out that the impact assessment carried out by the Commission identified some disadvantages that would be offset in the long run by the use of FTT revenues to foster growth. He informed the committee that the impact assessment would soon be updated to demonstrate further the long-term merits of the FTT. He also explained that the Commission proposal was meant to instigate long-term investment strategies and that there were two rates for derivatives and securities because there were two different tax bases: the notion value of derivatives and the market value for securities. Finally, he noted that Article 63 of the Treaty on the Functioning of the European Union on the free movement of capital and payments did not allow the taxation of spot currency transactions.
Vote in ECON: 4 April 2012. Vote in plenary: 1 June 2012

3. Common Consolidated Corporate Tax Base (CCCTB)

ECON/7/05678 2011/0058(CNS)
Rapporteur: Ms Marianne Thyssen (EPP)
Consideration of amendments

In her introductory remarks, Ms Thyssen (EPP, BE) informed the committee that 411 amendments had been tabled, in particular regarding enhanced cooperation, a Common Consolidated Corporate Tax Base (CCCTB) opt-in for companies and Member States (MS), the use of part of the CCCTB proceeds in the EU system of own resources, the harmonization of tax rates (in addition to the tax base), the formulation of an employee definition at European level, the apportionment of the tax base and the consideration of different factors in the apportionment formula, the nature of the CCCTB (optional or obligatory, consolidated or not), the duration of the opt-in (3 or 5 years), the introduction of a documented method for intra-group transactions, the percentage of the switch-over limit, the implementation of a compensation package for MS experiencing a decline in income due to the introduction of a CCCTB, anti-abuse rules, deductibility, the abolition of excise duties on alcohol, the duration (3 or 5 years) and content of the review clause, and finally on delegated acts.

Speakers for the political groups restated the positions given in earlier meetings. [1].

The Commission representative reaffirmed the Commission's reluctance to adopt a minimum tax rate, its preference for an optional system and its stance on enhanced cooperation, notably that it should only be considered as a method of last resort.

Vote in ECON: 6 February 2012. Vote in plenary: March 2012

4. Strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area and
Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area

ECON/7/07962 2011/0385 (COD) and ECON/7/07959 2011/0386(COD)
Rapporteurs: Mr Jean-Paul Gauzès (EPP) and Ms ELisa Elisa Ferreira (S&D)
First exchange of views

Points 4 and 5 were taken together.

In their introductory remarks, Mr Gauzès (EPP, FR) and Ms Ferreira (S&D, PT) explained that the two Commission proposals for regulations were intended to complement the first economic governance package, also known as the 'six pack'. Mr Gauzès explained that the sovereign debt crisis had forced 3 eurozone members to seek assistance within the European Union (EU) through the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) and abroad through the International Monetary Fund (IMF). He noted that unlike non-eurozone members, the financial situation of the 3 eurozone Member States (MS) required close monitoring due to its internal and external repercussions and pointed out that a key part of the proposal consisted in providing the Commission with the appropriate mechanisms to place a eurozone member experiencing economic difficulties under enhanced monitoring. He voiced his support for this principle and suggested discussing the modalities for its implementation and duration. He noted that the six pack, the two new proposals and the new draft treaty were intended to add consistency and solidity to the European monetary union and recommended widening the use of the community method and reinforcing democratic accountability, which, according to him, were under threat in the new draft treaty proposal.

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[1] See 15522/11 pp. 4-5 and 17910/11 pp. 3-4.

Ms Ferreira underlined the need to address proper coordination between the timetables in different MS throughout the budgetary process, statistical harmonization, reliability and synchronisation for comparability purposes, and the use of independent bodies as sources of independent information. She highlighted the innovative political proposal establishing a relationship between the Commission and national parliaments and its repercussions for democratic legitimacy and national budget ownership.

In the subsequent exchange of views, Ms Ferreira strongly criticized the plan to sanction a MS with the withdrawal of structural funds. Ms Thyssen (EPP, BE) was concerned with the increasing complexity of the institutional architecture, fearing it could create greater mistrust and confusion among all the relevant actors. Mr Haglund (ALDE, FI) focused his intervention on the suspension of EU payments and commitments to countries infringing the rules, stating that his group was open to further discussion on this issue and noting that it should only occur if countries did not keep to the rules, not if they were suffering serious economic hardship. He also recommended defending the community method and the Commission. Mr Giegold (Greens/EFA, DE) suggested reinforced solidarity instead of surveillance, questioning in the process the utility of enhanced surveillance powers for an institution that had so far failed to produce a viable recovery plan. Like Mr Gauzès, he also preferred including the new features envisaged in the new draft treaty in the proposals for regulations, in order to protect the community method. Finally, he called for increased transparency and enhanced public involvement in the surveillance process. Mr Chountis (GUE/NGL, EL) rejected both proposals on the grounds that they were not preventative in character and were detrimental to the economic recovery process. Mr Tremosa I Balcells (ALDE, ES) agreed with calls for greater budgetary forecasting and execution controls and additionally proposed the examination of public spending on infrastructure, through a cost benefit analyses. Mr Canfin (Greens/EFA, BE) considered both regulations useful and a good opportunity for the Commission to verify the consistency between national budgets and EU2020 objectives. Nevertheless, he expressed concerns regarding the democratic accountability of the European Commission under the new draft treaty (restricted to heads of government), which, in his opinion, was insufficient.

Consideration of draft report 28 February 2012.

6. Date of next meeting

The next meeting will be held in Strasbourg on Monday 16 January 2012.