



Council of the
European Union

138287/EU XXV. GP
Eingelangt am 28/03/17

EN

7481/17

(OR. en)

PRESSE 15
PR CO 15

OUTCOME OF THE COUNCIL MEETING

3527th Council meeting

Economic and Financial Affairs

Brussels, 21 March 2017

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

P R E S S

Rue de la Loi 175 B – 1048 BRUSSELS Tel.: +32 (0)2 281 6319 Fax: +32 (0)2 281 8026
press.office@consilium.europa.eu <http://www.consilium.europa.eu/press>

7481/17

1
EN

CONTENTS¹

ITEMS DEBATED

VAT RATES FOR ELECTRONIC PUBLICATIONS	4
VAT FRAUD - 'REVERSE CHARGE' MECHANISM	5
ECONOMIC GOVERNANCE – COUNTRY REPORTS AND IN-DEPTH REVIEWS	6
G20 MEETING IN BADEN-BADEN	8
OTHER BUSINESS	9
– Financial services - Legislative proposals	9
– Financial services - Implementation of legislation	9
– European defence fund	9
MEETINGS IN THE MARGINS OF THE COUNCIL	10
– Eurogroup	10
– Ministerial breakfast	10

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

– Economic governance – Recommendation to the euro area	11
– VAT - Estonia - Small businesses	11
– EU budget - Climate action	11

FOREIGN AFFAIRS

– Libya - Sanctions	12
– Egypt - Sanctions	12

- ¹
- 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.

DEVELOPMENT

- EU-Mexico partnership agreement - Rules of origin..... 12

TRADE

- Agreement with Uzbekistan - Textiles 13

ENERGY

- International energy contracts 13

TRANSPORT

- Registration of ship passengers 14
- Aviation safety agreement with the United States..... 14
- Trans-European transport network - Delegated act 14

ENVIRONMENT

- Environmental status of marine waters 15
- EU Ecolabel..... 15
- Eco-management 16
- Biocidal products..... 16
- CO2 emissions: light commercial vehicles..... 16

INTERNAL MARKET

- Clay tiles..... 17
- Agricultural and forestry vehicles 17

AGRICULTURE

- Transformation of animal by-products into biogas or compost..... 18
- Pharmacologically active substances in foodstuffs 18
- Use of processed animal protein for aquaculture 18
- Genotyping of ovine animals..... 19

TRANSPARENCY

- Public access to documents 19

ITEMS DEBATED

VAT RATES FOR ELECTRONIC PUBLICATIONS

The Council discussed a proposal that would allow member states to apply non-standard VAT rates to electronically supplied publications.

The debate focused on the possibility of applying not just 'reduced' VAT rates but also 'super-reduced' and 'zero' VAT rates.

The Council confirmed its intention to continue work on the proposal with a view to reaching an agreement before the end of June 2017. It noted the Commission's intention to make a proposal on VAT rates in the autumn of 2017.

Under the current VAT rules (directive [2006/112/EC](#)), electronically supplied services must be taxed at the standard VAT rate, i.e. minimum 15%, whereas 'physical' publications may benefit from non-standard rates.

For physical publications (such as books, newspapers and periodicals), member states have the option of applying a reduced VAT rate, i.e. minimum 5%. Some have been authorised to apply VAT rates below 5% (super-reduced rates) or so-called zero rates, which involve VAT deductibility.

The proposal provides for the possibility to align the rules, as part of a broader effort to modernise VAT under the EU's 'digital single market' plan. The directive would allow all member states to apply all types of non-standard VAT rates to both physical and electronic publications, but without creating an obligation to do so.

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.)

[March 2017 note on VAT rates applied to books, newspapers and periodicals](#)

[March 2017 draft directive on VAT rates applied to books, newspapers and periodicals](#)

VAT FRAUD - 'REVERSE CHARGE' MECHANISM

The Council discussed a proposal that would allow member states to apply a generalised but temporary reversal of VAT liability as a means of preventing VAT fraud.

The debate focused on the following issues:

- scope of the proposal;
- criteria for obtaining a derogation;
- procedure for repealing a derogation;
- duration of the derogation.

Work will continue on the proposal in the light of ministers' remarks, with a view to reaching an agreement. The presidency noted a number of issues to be resolved.

The so-called reverse charge mechanism involves shifting liability for VAT payments from the supplier to the customer. It thereby derogates from the general principles of the EU's VAT system (laid down by directive [2006/112/EC](#)).

The proposal was issued in December 2016 following a request by member states particularly affected by VAT fraud.

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.

The directive would offer a short-term solution pending the preparation of a new VAT system, under which supplies would be taxed in the country of destination. This 'definitive' VAT system was announced by the Commission in an April 2016 VAT action plan.

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.)

[March 2017 note on the proposed generalised VAT reverse charge mechanism](#)
[March 2017 draft directive on a generalised VAT reverse charge mechanism](#)
[VAT action plan, "Towards a single EU VAT area"](#)

ECONOMIC GOVERNANCE – COUNTRY REPORTS AND IN-DEPTH REVIEWS

The Council discussed how to boost implementation of country-specific recommendations under the 'European Semester', the EU's annual policy monitoring process, in particular as concerns measures to improve the business environment.

Under the 2017 European Semester, the Commission presented:

- 'country reports' on the economic situation in the member states;
- 'in-depth reviews' for 13 member states under the annual macroeconomic imbalances procedure.

The business environment

The Council noted that a significant proportion of country-specific recommendations are not fully implemented by the member states. As concerns the business environment, the discussion focused on three aspects: the role of public administration, access to finance and product market regulation.

Ministers assessed specific barriers that may explain the lack of progress in this area, and the role that finance ministers could play to improve the situation.

Country reports

The country reports analyse the economic and social challenges that member states face in 2017, and monitor their policy reforms. They also assess implementation of the Council's 2016 country-specific recommendations.

The findings are intended to feed into the member states' annual economic and fiscal policy programmes. The member states are due to submit these to the Commission in April 2017.

Macroeconomic imbalances

For the 13 member states subject to in-depth reviews, the Commission's findings are as follows:

- Bulgaria, Croatia, Cyprus, France, Italy and Portugal are experiencing excessive economic imbalances;
- Germany, Ireland, the Netherlands, Slovenia, Spain and Sweden are experiencing economic imbalances that are not considered excessive;
- Finland is not experiencing economic imbalances.

The 12 countries experiencing macroeconomic imbalances will continue to be subject to specific monitoring.

Follow-up

The 2017 European Semester will conclude with the adoption of new country-specific recommendations in July. The European Council provided policy guidance at its meeting on 9 March.

[Press release on country reports and in-depth reviews under the 2017 European Semester March 2017 European Council conclusions](#)

G20 MEETING IN BADEN-BADEN

The presidency and the Commission reported on a meeting of G20 finance ministers and central bank governors held in Baden-Baden (Germany) on 17 and 18 March 2017.

The meeting featured discussions on the global economy, a compact with Africa, international financial institutions, taxation, financial regulation, remittances and anti-money-laundering.

It was the first of two such meetings before a G20 summit in Hamburg on 7 and 8 July 2017.

Priorities under the finance track of Germany's G20 presidency include enhancing resilience to future crises, shaping digitalisation and supporting investment, particularly in Africa.

[2017 German presidency G20 website](#)

OTHER BUSINESS

– *Financial services - Legislative proposals*

The Council was updated regarding work on legislative proposals on financial services.

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

– *Financial services - Implementation of legislation*

The Commission reported on the implementation of legislation on financial services.

– *European defence fund*

The Commission reported on work on a European defence fund under its action plan for European defence.

[December 2016 European defence action plan](#)

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

The Eurogroup met on 20 March 2017.

It discussed the second review of Greece's economic adjustment programme and implementation of the member states' draft budgetary plans for 2017. It also discussed member states' reporting on their annual debt issuance plans and the possible benchmarking of their pension systems.

[Eurogroup main results](#)

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation. Additionally, the Commission presented a review of implementation of the EU's fiscal compact (title III of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union).

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Economic governance – Recommendation to the euro area**

The Council adopted a recommendation on the economic policies of the euro area.

The recommendation covers fiscal policy, competitiveness and productivity, labour market and social issues, EU banking union and the further development of economic and monetary union. It is part of the 'European Semester', the EU's annual policy monitoring process.

The recommendation is prepared at an early stage in the process so that account may be taken of eurozone issues when approving country-specific recommendations. The European Council endorsed the draft at its meeting on 9 March 2017.

The 2017 European Semester will conclude with the adoption of the new country-specific recommendations in July.

[March 2017 Council recommendation on the economic policies of the euro area](#)**VAT - Estonia - Small businesses**

The Council adopted a decision allowing Estonia to increase the annual turnover threshold below which small businesses are exempt from VAT to €40 000 ([7033/17](#) + [6493/17](#)).

The measure derogates from directive [2006/112/EC](#) on VAT. The Council's decision will apply from 1 January 2018 until 31 December 2020, or until the entry into force of new rules on small enterprises, whichever date is earlier.

EU budget - Climate action

The Council adopted conclusions in response to a Court of Auditors special report, "Spending at least one euro in every five from the EU budget on climate action: ambitious work underway, but serious risk of falling short" ([6994/17](#) + [6993/17](#)).

FOREIGN AFFAIRS

Libya - Sanctions

The Council amended restrictive measures in view of the situation in Libya.

On 11 November 2016 and 6 January 2017, the UN Security Council committee updated information relating to 20 persons and two entities subject to restrictive measures. The Council decision transposes that update into the EU's restrictive measures.

Sanctions for Libya were introduced by the Council in February 2011. They are targeted against persons and entities owning or controlling Libyan state funds which were misappropriated during the former regime of Muammar Gaddafi in Libya and which could be used to threaten the peace, stability or security of Libya, or to undermine the successful completion of its political transition.

Egypt - Sanctions

The Council extended, until 22 March 2018, restrictive measures in force in view of the situation in Egypt.

The Council also removed four persons from the list of persons subject to restrictive measures.

The restrictive measures were introduced in 2011 as part of the EU's policy of supporting the peaceful and orderly transition to a civilian and democratic government in Egypt.

DEVELOPMENT

EU-Mexico partnership agreement - Rules of origin

The Council adopted two decisions setting out the EU's position, in the framework of the modernisation of the EU-Mexico partnership agreement, on rules defining the origin of products.

Products originating from one of the two parties to the agreement are subject to a number of requirements in order for them to obtain an "originating status". The purpose of the Council decisions is to review the product specific rules and in particular their application to certain types of chemical products.

TRADE

Agreement with Uzbekistan - Textiles

The Council adopted a decision on the conclusion of a protocol extending the EU-Uzbekistan partnership and cooperation agreement to bilateral trade in textile products.

The extension is justified by the expiry of a separate bilateral agreement on trade in textiles.

Following bilateral negotiations in 2010, the Council was ready to adopt this decision in January 2011. However, the European Parliament made its consent (required for the decision to enter into force) conditional on a favourable report from the International Labour Organisation on child labour conditions.

The consent of the European Parliament was ultimately given in December 2016, as a result of progress and commitments made by Uzbekistan in the fight against forced and child labour.

ENERGY

International energy contracts

The Council adopted a decision establishing an information exchange mechanism for intergovernmental agreements and non-binding instruments between member states and third countries in the field of energy.

The decision is aimed at correcting shortcomings in the existing information exchange mechanism on energy contracts.

See [press release](#)

TRANSPORT

Registration of ship passengers

The Council adopted a general approach on updated requirements for registering passengers and crew on-board European passenger ships ([6937/17](#)).

The proposed directive aims to digitalise the registration of ship passengers to ensure that, in the event of an accident, search and rescue services have immediate access to information on the people on-board. To make it easier to assist victims and their relatives, the recorded data will include passengers' nationality.

The general approach is the Council's position for talks with the European Parliament. Both institutions must agree on the text before it can enter into force.

See [press release](#)

Aviation safety agreement with the United States

The Council adopted a decision on the signing, on behalf of the EU, and provisional application of an agreement that amends the EU-United States agreement on cooperation in the regulation of civil aviation safety.

The proposed amendment will create the possibility to cooperate in additional areas that both parties find mutually desirable.

Trans-European transport network - Delegated act

The Council decided to extend the time limit for raising objections to a Commission delegated regulation which is to update the indicative maps of the trans-European transport network (TEN-T), which has been extended to certain neighbouring countries ([7096/17](#); draft Commission delegated regulation: [6092/17](#)).

The Council extended the time limit by two months, to 1 June 2017.

ENVIRONMENT

Environmental status of marine waters

The Council decided not to oppose the adoption of a Commission decision ([5568/17](#) + [ADD 1](#)), laying down the criteria, standards, specifications and methods to monitor and assess the environmental status of marine waters. Following a review process of previous criteria, this Commission decision repeals previous decision 2010/477/EU.

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

EU Ecolabel

The Council decided not to oppose the adoption of a series of Commission decisions establishing the ecological criteria for the award of the EU Ecolabel to the following types of products:

- dishwasher detergents ([5606/17](#) + [ADD 1](#))
- hand dishwashing detergents ([5607/17](#) + [ADD 1](#))
- hard surface cleaning products ([5608/17](#) + [ADD 1](#))
- industrial and institutional dishwasher detergents ([5609/17](#) + [ADD 1](#))
- laundry detergents ([5610/17](#) + [ADD 1](#))
- industrial and institutional laundry detergents ([5679/17](#) + [ADD 1](#))

The Commission decisions are 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.

The EU Ecolabel helps consumers identify products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw material through to production, use and disposal. It is a voluntary label promoting environmental excellence.

Eco-management

The Council decided not to oppose the adoption of a Commission regulation ([5386/17](#) + [ADD 1](#)) concerning the EU's eco-management and audit scheme (EMAS). The regulation amends annexes I, II and III to regulation [1221/2009](#) to take into account the latest changes by the International Organisation for Standardisation (ISO).

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

The EU's eco-management and audit scheme is a management instrument for companies and other organisations to evaluate, report on and improve their environmental performance. Organisations in and outside the EU, whose activities have an environmental impact, are encouraged to participate on a voluntary basis.

Biocidal products

The Council decided not to object to a Commission delegated regulation ([6000/17](#) + [ADD 1](#)) on the work programme for the systemic examination of all active substances in biocidal products. It amends delegated [regulation 1062/2014](#) to take into account recent changes.

A work programme needs to be carried out to review all active substances used in biocidal products which were already on the market as of 14 May 2000, according to regulation (EU) No [528/2012](#) on biocidal products. This on-going work programme for the systematic examination of all existing active substances used in biocidal products is planned to run until 31 December 2024.

The Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

CO2 emissions: light commercial vehicles

The Council decided not to object to a Commission delegated regulation ([6102/17](#)) concerning new light commercial vehicles. This delegated regulation amends regulation [510/2011](#) by adjusting the reference average mass value of this type of vehicles every third year starting from 31 October 2016. The new value is based on the monitoring of the mass of new vehicles in 2013, 2014 and 2015.

The CO₂ emissions targets for manufacturers of new light commercial vehicles are set as a function of the average mass of the vehicle fleet and their CO₂ emissions. To ensure that this level of CO₂ reductions continues to be achieved, the evolution of the mass needs to be taken into account.

The Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

INTERNAL MARKET

Clay tiles

The Council decided not to object to a Commission regulation on the classification of frost resistance performance for clay tiles pursuant to regulation 305/2011 on the marketing of construction products ([5774/17](#) and [ADD 1](#)).

The Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

Agricultural and forestry vehicles

The Council decided not to object to the adoption by the Commission of a regulation amending delegated regulation 2015/96 as regards environmental and propulsion unit performance requirements of agricultural and forestry vehicles ([5892/17](#)).

The amendment aims to take into account of a flexibility scheme for tractor manufacturers.

The amending Commission regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It can now enter into force, unless the European Parliament objects.

AGRICULTURE

Transformation of animal by-products into biogas or compost

The Council decided not to oppose the adoption of a Commission regulation amending regulation 142/2011 as regards the use of manure of farmed animals as a fuel in combustion plants ([5896/17](#) + [ADD 1](#)).

Regulation 142/2011 lays down health rules as regards animal by-products and derived products not intended for human consumption, in order to prevent and minimise risks to public and animal health arising from those products.

Pharmacologically active substances in foodstuffs

The Council decided not to oppose the adoption of a Commission regulation laying down rules on the use of a maximum residue limit (MRL) established for a pharmacologically active substance in a particular foodstuff for another foodstuff derived from the same species and a maximum residue limit established for a pharmacologically active substance in one or more species for other species, in accordance with regulation (EC) No 470/2009 ([5966/17](#) + [ADD 1](#)).

Regulation 470/2009 lays down procedures for the establishment of residue limits for pharmacologically active substances in foodstuffs of animal origin.

Use of processed animal protein for aquaculture

The Council decided not to oppose the adoption of a Commission regulation amending annexes I and IV to regulation (EC) No 999/2001 and annexes X, XIV and XV to Commission regulation 142/2011 as regards the provisions on processed animal protein ([6300/17](#) + [ADD 1](#)).

In particular, the adopted regulation allows for the use of processed animal protein derived from insects in feed for aquaculture animals.

Regulation 999/2001 lays down rules for the prevention, control and eradication of transmissible spongiform encephalopathies (TSEs) in bovine, ovine and caprine animals. It prohibits the feeding to animals of protein derived from animals but authorises the feeding of non-ruminant processed animal protein to aquaculture animals under certain conditions.

Regulation 142/2011 lays down health rules as regards animal by-products and derived products not intended for human consumption, in order to prevent and minimise risks to public and animal health arising from those products.

Genotyping of ovine animals

The Council decided not to oppose the adoption of a Commission regulation amending annexes III and VII to regulation 999/2001 of the European Parliament and of the Council as regards the genotyping of ovine animals ([6294/17](#) + [ADD 1](#)).

In particular the adopted regulation modifies the rules concerning the monitoring system used by member states to detect transmissible spongiform encephalopathies (TSEs), and the minimum requirements for national breeding programmes for resistance to TSEs in ovine animals.

Regulation 999/2001 lays down rules for the prevention, control and eradication of transmissible spongiform encephalopathies (TSEs) in bovine, ovine and caprine animals.

TRANSPARENCY

Public access to documents

On 21 March 2017, the Council approved:

- the reply to confirmatory application No 01/c/01/17 ([5963/17](#)).
