Council of the
European Union

EN

9581/17
(OR. en)

PRESSE 30
PR CO 30

OUTCOME OF THE COUNCIL MEETING

3543rd Council meeting

Economic and Financial Affairs

Brussels, 23 May 2017

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

PRESS

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

CONTENTS[1]

ITEMS DEBATED

[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.

AGRICULTURE

ENERGY

ENVIRONMENT

ITEMS DEBATED

DOUBLE TAXATION- DISPUTE RESOLUTION

The Council agreed on a new system for resolving double taxation disputes between member states.

The proposal sets out to improve the mechanisms used when disputes arise from the interpretation of agreements on the elimination of double taxation. It builds on convention 90/436/EEC on the elimination of double taxation in connection with the adjustment of profits of associated enterprises.

It requires dispute resolution mechanisms to be mandatory and binding, with clear time limits and an obligation to achieve results. It will thereby enhance tax certainty and the environment in which businesses operate.

The Council will adopt the directive once the European Parliament has given its opinion.

Press release on May 2017 Council agreement on double taxation dispute resolution mechanisms

COMMON CORPORATE TAX BASE

The Council discussed a proposal for a common corporate tax base (CCTB) in the EU, aimed at reducing the administrative burden of multinational companies.

The proposal is the first step of an envisaged two-step corporate tax reform. Revamping an earlier 2011 proposal, it establishes a single rulebook for calculating companies' corporate tax liability.

The presidency confirmed its intention to continue discussions on new elements of the proposal, and stated that an appropriate degree of flexibility should be provided for. A separate proposal on tax consolidation (CCCTB) will be considered without delay once the CCTB rulebook has been agreed.

The Council will require unanimity to adopt the directive, after consulting the European Parliament. (Legal basis: article 115 of the Treaty on the Functioning of the European Union.)

May 2017 note to the Council on the proposal on a common corporate tax base

2016 Commission proposal for a directive on a common corporate tax base

December 2016 Council conclusions on corporate tax reform

MOVEMENT OF CAPITAL

The Council discussed:

– a report from the Commission on accelerating the EU's capital markets union and addressing national barriers to the free movement of capital;

– an annual report from the Economic and Financial Committee on the movement of capital and the freedom of payments.

It endorsed a plan of actions to be carried out at national level to address national barriers to cross-border capital flows.

The capital markets union initiative was launched in 2015 with a view to completion by the end of 2019. Since then the Commission has worked with member states' experts to identify national barriers to the free movement of capital.

May 2017 roadmap of actions to address national barriers to cross-border capital flows

March 2017 Commission report on addressing national barriers to capital flows

March 2017 EFC report on the movement of capital and the freedom of payments

Commission action plan on capital markets union

ECONOMIC GOVERNANCE – MACROECONOMIC IMBALANCES

The Council discussed:

– in-depth reviews of macroeconomic imbalances in 13 member states.

– implementation of its 2016 country-specific recommendations on economic and fiscal policies.

It adopted the following conclusions:

"The Council (ECOFIN):

1. WELCOMES the timely publication of the Commission's country reports analysing the economic policies for each of the Member States, including the in-depth reviews (IDRs) in the context of the Macroeconomic Imbalances Procedure (MIP), and the implementation of the 2016 country specific recommendation (CSR) follow-up, as well as the accompanying Communication summarising the main results of the IDRs. WELCOMES the integrated analysis and STRESSES the need to keep IDR analysis well identifiable and transparent within the country reports.

2. WILL take into account these elements, as well as the National Reform Programmes and the Stability and Convergence Programmes and the recommendation on the economic policy the Euro area of March 10th 2017, when adopting the 2017 Country Specific Recommendations.

I. IN-DEPTH REVIEWS

3. CONSIDERS that the IDRs present a thorough and mature analysis of the country position in each of the Member States under review, thus presenting the basis for multilateral surveillance, enhanced domestic ownership of reforms and effective policy action. RECOGNISES that the relevant analytical tools have been applied in view of the specific challenges of each economy and complemented by substantive qualitative analysis.

4. AGREES that 12 of the examined Member States (Bulgaria, Germany, Ireland, Spain, France, Croatia, Italy, Cyprus, the Netherlands, Portugal, Slovenia, and Sweden) are experiencing macroeconomic imbalances of various nature and degree of severity under the MIP, and that Finland is no longer experiencing macroeconomic imbalances in the sense of the MIP.

5. AGREES with the view of the Commission that excessive imbalances exist in 6 Member States (Bulgaria, France, Croatia, Italy, Cyprus, and Portugal). NOTES the Commission's intention to review in May its assessment for three countries identified with excessive imbalances (Italy, Cyprus, and Portugal), in light of structural challenges emerging from the IDR analysis, taking into account the level of ambition of their National Reform Programme. AGREES to carefully consider any further Commission reviews in order to establish if further steps are needed. UNDERLINES that the MIP procedure should be used to its full potential, with the corrective arm applied where appropriate.

6. UNDERLINES the continued need for policy action and strong commitment to structural reforms in all Member States, including when they face macroeconomic imbalances affecting the smooth functioning of EMU. Imbalances should be addressed in a durable manner focusing on key challenges, reducing risks, facilitating the rebalancing of the EU economies and creating conditions for sustainable growth and jobs.

7. RECOGNISES the progress achieved by many Member States in correcting their external and internal imbalances, thus contributing to the rebalancing at euro-area and EU level. UNDERLINES that despite improvements the challenges and risks remain broadly unchanged and further progress on policy action is needed to address imbalances, in particular elevated levels of indebtedness, against the background of declining potential output and productivity growth and unemployment rates that remain historically high. At the same time, elevated current account surpluses in some euro area Member States with relatively low deleveraging needs persist and could under some circumstances indicate large savings and investment imbalances deserving progress on policy actions. NOTES that the rebalancing of deficits to surplus positions in many euro area countries coupled with persistent and high surpluses in others has implied an asymmetric adjustment leading to a large and increasing surplus position of the euro area as a whole whose consequences deserve further attention.

II. IMPLEMENTATION OF COUNTRY SPECIFIC RECOMMENDATIONS (CSRs)

8. NOTES progress made in addressing the 2016 CSRs but TAKES NOTE that reform implementation has been uneven across policy areas and countries, and that in only a few cases substantial progress has been made in addressing the 2016 CSRs.

9. WELCOMES the Commission`s new multiannual assessment of CSR implementation, and that good progress on a large majority of recommendations has been made, but NOTES this has been uneven across policy areas, countries and over time. RECALLS that multiannual assessment by the Commission illustrates that a number of CSRs relate to long-term structural issues that take time to be addressed and that tangible results may take time to show.

10. STRESSES that in the currently relatively favourable macroeconomic environment, reform implementation needs to continue and be stepped up to address the policy challenges outlined below, guarding against reform fatigue and overcoming political economy challenges.

11. WELCOMES that general government deficits and debt ratios are expected to decline in many Member States, but STRESSES that ensuring long-term fiscal sustainability, including the sustainability of pension systems remains a challenge.

12. UNDERLINES that further structural reforms to product and services markets should be prioritised to strengthen economic recovery, correct harmful imbalances, improve the investment conditions, and reinforce the single market. More progress could be achieved in generating a business and employment friendly regulatory environment, cutting red tape, strengthening both administrative efficiency and regulatory quality, and eliminate unjustified restrictions in the service sector, particularly by making it significantly easier for service providers to operate across borders.

13. WELCOMES the emphasis placed on inclusive growth and STRESSES that fostering economic and employment growth, increased investment, and reforms to increase productivity and labour supply are all essential elements in tackling social challenges. Sound public finances and implementing ambitious reforms are a prerequisite for sustainable and inclusive growth.

14. AGREES that there remains an urgent need to improve investment conditions in order to attract increased private investment in the real economy and ensure high quality public investment and infrastructures. Reform progress has been slow in tackling problems regarding sector specific regulation and other impediments to investment and in reforming public administration, judicial systems, insolvency frameworks and the business environment, including access to finance. Despite some progress, barriers to investment persist in some key sectors in many Member States.

15. ACKNOWLEDGES that Europe faces a productivity challenge, with productivity growth subdued and lagging behind the growth rates of other advanced economies. In this context UNDERLINES the importance of structural reform to foster innovation, digitalisation and facilitate the diffusion of new technologies, to create a business environment where the most productive firms are allowed to thrive, and to reduce resource misallocation and skill mismatches. The challenge is exacerbated by inter alia ageing populations. The share of working-age persons in the total population is projected to decline across Europe, and this is particularly marked in some economies.

16. WELCOMES progress in reforming labour markets, but notes that significant challenges and implementation gaps remain. There remains potential to broaden tax bases and reduce the tax burden on labour, and further progress could be made to increase female labour market participation. In some Member States further efforts to reduce youth and long-term unemployment are needed. The successful integration especially of migrants and refugees requires particular attention."

INTERNATIONAL MEETINGS IN WASHINGTON D.C.

The presidency and the Commission reported on the spring 2017 international finance meetings held in Washington D.C.:

– meeting of G20 finance ministers and central bank governors held on 20-21 April;

– IMF and World Bank meetings held on 21-23 April.

The G20 meeting featured discussions on the global economy, international financial institutions, a compact with Africa and financial regulation. It was the last ministerial meeting ahead of the G20 summit in Hamburg on 7 and 8 July 2017.

2017 German presidency G20 website

OTHER BUSINESS

– ***Financial services***

The Council took note of ongoing work on legislative proposals on financial services.

May 2017 secretariat progress report on financial services dossiers

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

The Eurogroup met on 22 May 2017.

It discussed the second review of Greece's economic adjustment programme and post-programme surveillance in Spain, and reviewed the economic situation in the euro area in the light of the Commission's spring 2017 economic forecast.

Eurogroup main results

– *EIB board of governors*

Ministers met in their capacity as governors of the European Investment Bank for the annual EIB board of governors meeting.

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation, in the light of the Commission's spring forecast.

– *Dialogue with the Western Balkans and Turkey*

The current and next two presidencies met finance ministers from the Western Balkans and Turkey for an economic and financial dialogue. They issued joint conclusions.

EU-Western Balkans and Turkey 2017 economic and financial dialogue conclusions

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

National central bank of Belgium

The Council adopted a decision approving Mazars Réviseurs d'entreprises/Mazars Bedrijfsrevisoren SCRL/CVBA as external auditors of the Nationale Bank van België/Banque National de Belgique, the national central bank of Belgium, for the 2017-22 financial years (8561/17 + 8173/17).

CUSTOMS UNION

Customs union and its governance

The Council adopted conclusions on the development of the customs union and its governance (7585/1/17 REV 1).

The conclusions build on the Commission communication on "Developing the EU Customs Union and Its Governance" (15818/16), issued on 21 December 2016.

Among other things, the conclusions call on the Commission and EU member states to:

– implement the Union Customs Code as a top priority,

– develop a mid- and long-term strategy for customs information technology systems,

– improve customs cooperation with other law enforcement authorities and agencies, particularly those involved in border management like Europol and Frontex.

The Commission communication recalled that the customs union, which is now approaching 50 years of operation, was an early example of successful integration in the EU. It created the conditions for establishing the single market and served as a stable foundation for economic integration and growth.

A strong and well-managed customs union can enable the EU to prosper and develop competitive businesses, to protect its revenue sources and protect the public against terrorist, health, environmental and other threats.

Customs funding

The Council also adopted conclusions on customs funding (7586/17).

The conclusions call on the Commission and the EU member states to work together to assess, by the end of 2017, the existing programmes and instruments of EU funding for customs.

The assessment will include suggestions for making better use of the available funds as well as possibilities for reducing costs.

AGRICULTURE

Grains trade convention

The Council adopted a decision establishing the position to be adopted, on behalf of the EU, in the International Grains Council (IGC) with respect to the extension of the Grains Trade Convention 1995 (GTC) (8299/17).

The GTC applies to trade in wheat, coarse grains (maize (corn), barley, sorghum and other grains) and rice. It seeks to further international cooperation in grains trade, to promote expansion, openness and fairness in the grains sector, to contribute to grain market stability and to enhance world food security. The achievement of these objectives is sought by improving market transparency through information sharing, analysis and consultation on grain market and policy developments. The Convention also establishes the IGC as an intergovernmental forum for cooperation in grains trade matters. The functions of the IGC are to oversee the implementation of the GTC, to discuss current and prospective world grain market developments, and to monitor changes in national grain policies and their market implications.

The GTC was approved by the EU and entered into force on 1 July 1995. Since then, it has regularly been extended and is due to expire on 30 June 2017. A decision on its extension will be made at the 45th session of the IGC, due to be held in London on 5-6 June 2017. The EU is in favour of an extension for a further period of two years.

ENERGY

Electricity transmission system operation

The Council decided not to oppose the adoption of a Commission regulation establishing a guideline on electricity transmission system operation (6668/17).

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

ENVIRONMENT

Court of Auditors' special report – Natura 2000 network

The Council adopted conclusions on the European Court of Auditors' Special Report No 1/2017 entitled "More efforts needed to implement the Natura 2000 network to its full potential" (8964/17).

The Court has issued recommendations to help ensure the appropriate management of Natura 2000 sites, clarify the spending and financing needs of the network, and improve the monitoring of results.

The Natura 2000 network helps protect Europe's rare and endangered habitats and species, listed under both the Birds Directive and the Habitats Directive. The network consists of over 27 000 sites across Europe, covering 18% of EU land territory and more than 6% of its marine areas.