



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

From:	General Secretariat of the Council
To:	Delegations
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Subject:	Report by Finance Ministers on tax issues in the framework of the Euro Plus Pact

1. The European Council conclusions of 9 December 2011 concerning the Euro Plus Pact request that structured discussions of tax policy issues are being pursued.
2. A draft Report by Finance Ministers in the framework of the Euro Plus Pact, covering progress made, was agreed in the context of the Council High Level Working Party on Tax issues, following discussions on 23 May 2014.
3. Subsequently the Report was forwarded, via Coreper, to the Council (ECOFIN) on 20 June 2014, and endorsed by Finance Ministers of the Pact with a view to its submission to the European Council on 26/27 June 2014.

**REPORT BY FINANCE MINISTERS ON TAX ISSUES
IN THE FRAMEWORK OF THE EURO PLUS PACT**

1. As set out in the EC conclusions of 9 December 2011¹, this report by participant Finance Ministers of the Euro Plus Pact covers progress made in structured discussions on the coordination of tax policies.
2. The Hellenic Presidency approach to coordination of tax policies in accordance with the Euro Plus Pact built on the work undertaken by previous Presidencies.

As done during the Lithuanian Presidency, the Hellenic Presidency gave Member States the opportunity to exchange best practices/reforms regarding the fight against fraud, tax avoidance and aggressive tax planning in the framework of the Council HLWP. Croatia made a detailed presentation on its national approach to these issues.

3. The following progress was noted on a number of files which were considered relevant under the Euro Plus Pact.
 - a) The European Council conclusions of 19/20 December 2013 called for speeding up the negotiations with European third countries, asked the Commission to present a progress report to its March meeting and, in the light of this, to adopt the revised Directive on the taxation of savings by March 2014. As a response to this call by the European Council, the Presidency submitted the issue to the preparatory bodies of the Council. The Commission updated Member States on its contacts with five non-EU Western European countries. The Council agreed that, once the European Council has politically endorsed this at its meeting on 20/21 March 2014, the formal adoption of the directive would take place at the Council formation meeting following the European Council.

¹ EUCO 139/1/11 REV 1 (item 6)

The European Council endorsed the amended Directive on 20/21 March 2014 and, against this background, the Council (AGRIFISH) adopted the revised Savings Directive in the form agreed at technical level at its meeting on 24 March 2014 .

- b) In relation to the Commission's proposal on a Common Consolidated Corporate Tax Base (CCCTB), the Presidency led intensive technical discussions in the Council preparatory bodies and presented a compromise text covering some aspects of the proposal.
- c) In relation to the other legislative files identified in the Euro Plus Pact, in particular the Commission proposals on a common system of financial transaction tax (FTT) by way of enhanced cooperation, work has been carried forward during the Hellenic Presidency.
- d) On 11 June 2013, the Commission presented a revision of Directive 2011/16/EU on administrative cooperation in the field of (direct) taxation.

On that basis, the work undertaken by the OECD on developing automatic exchange of information as a global standard has been discussed at experts' level by the Working Party on Tax Questions, which resulted in a letter by the Presidency to the OECD Secretariat outlining the points of concern that Member States' experts had discussed, with a view to providing input to ongoing discussions at the OECD.

The Presidency continued work started by the Lithuanian Presidency on a revision of the text of the Commission proposal to take into account OECD work as it has evolved over recent months.

The European Council on its 21 March 2014 conclusions invited the Council to ensure that, with the adoption of the Directive on Administrative Cooperation (DAC) by the end of 2014, EU law is fully aligned with the new global standard.

- e) On 25 November 2013, the Commission submitted a proposal to amend Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States. In its conclusions on 19/20 December 2013, the European Council stated that "progress should also be made quickly towards agreement on amending the Parent-Subsidiary Directive".

The Hellenic Presidency circulated a compromise text which splits the proposal. It suggests to reach an early agreement on the hybrid loan mismatch, while clarifying in a statement to be added to the Council Minutes that the Council will continue to work on the remaining elements of the proposal. This compromise was submitted to the Council (ECOFIN) on 6 May 2014 in view of reaching a political agreement. The political agreement could not yet be reached. Further discussions took place at technical level to solve some remaining issues.

[The Council (ECOFIN) adopted the PSD Directive on 20 June 2014.]

4. A comprehensive ECOFIN report highlighting progress made during the last six months provides additional detail on the work carried out at the EU level.²
5. The incoming Presidencies are invited to pursue work in these fields, taking into account the specific aims pursued under the Euro Plus Pact, and to continue monitoring results in the context of the Council HLWP.

² Doc. 10128/14 FISC 82