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3327th Council meeting

Economic and Financial Affairs

Brussels, 8 July 2014

President **Pier Carlo Padoan**
Minister of Economy and Finance of Italy

P R E S S

Main results of the Council

*The Council discussed the Italian presidency's work programme for economic and financial affairs, and issued a statement on economic **growth and reforms**.*

*The Council adopted an amendment to EU tax rules that will prevent the **double non-taxation** of dividends distributed within corporate groups deriving from hybrid loan arrangements. It thereby closed a loophole that until now has allowed corporate groups to exploit mismatches between national tax rules so as to avoid paying taxes on some types of profits distributed within the group.*

*The Council adopted recommendations to the member states on their **economic and fiscal policies**, following endorsement by the European Council, thus concluding this year's European Semester process. It also issued a specific recommendation for the eurozone as a whole.*

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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.

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Ms Nicky MORGAN

Financial Secretary to the Treasury and Minister for Women

Commission:

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Vice-President

Mr Michel BARNIER

Vice-President

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Member

Other participants:

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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 Jens GRANLUND

President of the Economic Policy Committee

ITEMS DEBATED

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Italian presidency of a work programme on economic and financial matters for the duration of its term, which runs from July to December 2014 ([11285/14](#)).

It held an exchange of views.

The Council adopted the following statement:

"Council statement

Follow-up discussion on growth and reforms

The Council supports the objectives of the Italian Presidency to boost growth and jobs via a common reform effort, notably by completing the single market, boosting structural reforms to increase the growth potential of the economy, and by promoting investment which has been severely hit during the crisis period.

Upon the results of Ministers' discussion, and as agreed by the June European Council, structural reforms that enhance growth and improve fiscal sustainability should be given particular attention, including through an appropriate assessment of fiscal measures and structural reforms, while making best use of the flexibility that is built into the existing Stability and Growth Pact rules. Promoting growth and fiscal consolidation are mutually reinforcing.

In this context, the Commission will report to the European Parliament and to the Council on the application of the EU governance framework by 14 December 2014, as foreseen in EU law ('6-Pack' and '2-Pack').

A further exchange of views will take place at the Informal ECOFIN of September, specifically on investment opportunities and structural reforms."

* * *

The presidency's programme sets out the following objectives:

- *Economic policy*: the presidency will put forward a new European economic policy agenda based on structural reforms and investments in growth and jobs. It will continue work on deepening economic and monetary union along the lines set out in the report “Towards a genuine Economic and Monetary Union”¹.
- *Banking union*: the presidency will oversee further steps towards banking union, in particular the start of the single supervisory mechanism, due to take place in November, the process of establishing a single resolution board and the ratification of the related intergovernmental agreement by the participating member states. It will also steer the Council’s oversight of and communications relating to the finalisation of the agreed comprehensive balance sheet assessment and follow-up actions at national and European levels.
- *Financial services*: priorities include strengthening the regulation of financial markets, with a view to facilitating credit flows to the real economy and maintaining confidence in the functioning of financial markets and intermediaries. The presidency will advance negotiations on all legislative dossiers, aiming in particular to finalise legislation on the creation of a new category of pooled funds for long-term investments, “European Long-Term Investment Funds”. It will also aim to finalise a new regulatory framework for the prevention of money laundering and terrorist financing. It will seek agreement within the Council on possible improvements to the functioning of the European System of Financial Supervision and work on a proposed regulation aimed at restoring confidence in benchmarks, and on updating legislation on payment systems in order to reduce fragmentation among member states.
- *Taxation*: the presidency will seek to finalise discussions on a proposed directive aimed at extending the automatic exchange of information between tax administrations in line with new international standards. It will monitor negotiations with third countries on the revision of agreements on savings taxation. Discussions will continue on improvements to administrative cooperation in the field of VAT, on amending the parent-subsidiary directive and on mismatches caused by hybrid structures. Building on OECD work on tax base erosion and profit shifting and on parallel work at EU level, discussions will continue on taxation of the digital economy. The presidency will pursue discussions on improvements to the VAT system, notably proposals on a standard VAT return and the VAT treatment of vouchers, and will work for an agreement on energy taxation and on a proposed financial transaction tax.

¹ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/134069.pdf

EU2020 STRATEGY FOR GROWTH AND JOBS

The Council discussed a forthcoming mid-term review of Europe's 2020 strategy, assessing how the strategy could better contribute to growth and employment, as well as its role in the EU's annual economic and fiscal policy monitoring process, the *European Semester*.

The European Council in March assessed implementation of the strategy and the Commission launched a public consultation in May to feed into its work on the review; it is expected to present proposals in early 2015.

The Council discussed ways to improve the effectiveness of policy measures and how implementation of the strategy could be improved through the *European Semester*.

The presidency will organise debates in several Council configurations during the second half of this year. It will prepare a report in December providing guidance for subsequent Commission proposals aimed at improving implementation of the strategy.

The Europe 2020 strategy, adopted in June 2010, contains five headline goals on employment, education, social inclusion, innovation and climate/energy. It was a central element of the EU's response to the global economic crisis.

TAXATION OF SAVINGS INCOME - AGREEMENTS WITH THIRD COUNTRIES

The Council was briefed by the Commission on the state of play of negotiations with Switzerland, Liechtenstein, Andorra, Monaco and San Marino on upgrading their agreements with the EU on the taxation of savings income.

In May 2013 the Council instructed the Commission to negotiate amendments to these agreements, which are intended to enable member states to better clamp down on tax fraud and tax evasion.

The aim is to ensure that the five countries continue to apply measures that are equivalent to those laid down in the EU's directive on the exchange of information on savings income, which was updated in March¹, taking into account international developments in this area.

The European Council in March called on Switzerland, Liechtenstein, Andorra, Monaco and San Marino to commit fully to implementing the new single global standard for automatic exchange of tax information developed by the OECD and endorsed by the G20. It called on the Commission to conclude the negotiations by the end of the year.

The Council will continue to follow the progress of the negotiations closely.

¹ Press release [7524/14](#).

OTHER BUSINESS

– *Bank resolution*

The Council was updated by the Commission on the preparation of implementing legislation on contributions to be paid by banks to resolution funds established under recently-agreed rules on bank resolution. It held an exchange of views.

MEETINGS IN THE MARGINS OF THE COUNCIL

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

– *Macroeconomic dialogue with the social partners*

A dialogue on macroeconomic issues was held on 7 July between the presidency troika, Commission, European Central Bank and president of the Eurogroup, on the one hand, and the social partners (employers and trade unions at EU level and representatives of public enterprises and SMEs), on the other. The dialogue covered the economic situation and the priorities of the Italian presidency.

– *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on 7 July. They discussed Greece's economic adjustment programme, the euro area aspects of banking union and the process of Lithuania's accession to the euro area. They also held a thematic discussion on reforms aimed at reducing the high tax wedge on labour in order to promote growth and employment.

– *ESM board of governors meeting*

The board of governors of the European Stability Mechanism held a meeting on 7 July.

– *Ministerial breakfast meeting*

Ministers discussed the economic situation and related policy issues at a working breakfast.

– *Informal session*

Ministers, during an informal session, were updated by the European Central Bank and the European Banking Authority on the ongoing asset quality review and stress tests for banks, the results of which will be announced in the autumn.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

European Semester - Economic and fiscal policy recommendations

The Council issued recommendations and opinions on economic, employment and fiscal policies planned by the member states.

It also issued a specific recommendation on the economic policies of the euro area, as well as explanations in cases where its recommendations do not correspond with those proposed by the Commission.

Adoption of the texts, following their endorsement by the **European Council** on 27 June, concludes the current *European Semester* monitoring process.

For details, see press release [11644/14](#).

Company taxation - Parent-subsidiary directive

The Council formally adopted an amendment to EU tax rules that will prevent the double non-taxation of dividends distributed within corporate groups deriving from hybrid loan arrangements¹ ([10996/14](#) + [11291/14](#) + [11291/14 ADD1](#)).

This follows a political agreement at the Council's meeting on 20 June.

It thereby closed a loophole that until now has allowed corporate groups to exploit mismatches between national tax rules so as to avoid paying taxes on some types of profits distributed within the group.

The amendment to the parent-subsidiary directive (2011/96/EU) will prevent double non-taxation by providing that the member state of the parent company should only refrain from taxing profits from the subsidiary where such profits are not deductible by the latter.

For details, see press release [11647/14](#).

¹ Hybrid loan arrangements are financial instruments that have characteristics of both debt and equity.

FOREIGN AFFAIRS

Restrictive measures - Belarus

The Council amended EU sanctions against Belarus, following a review.

In the light of the continuing gravity of the human rights situation, it added one person to the list of those subject to restrictions. At the same time, it considered that there were no longer grounds for keeping sanctions on eight individuals.

This decision does not reflect a change in the EU's policy of critical engagement with Belarus, as most recently set out in the Council conclusions of 15 October 2012 (see [conclusions](#)).

EU Special Representative for the South Caucasus and the crisis in Georgia

The Council appointed Mr Herbert Salber as the new European Union Special Representative (EUSR) for the South Caucasus and the crisis in Georgia.

His initial mandate will run until the end of February 2015. The Council also approved a budget of EUR 1.38 million for the period from 1 July 2014 to 28 February 2015.

For details, see [11662/14](#).

COMMON SECURITY AND DEFENCE POLICY

Colombia - participation in EU crisis management operations

The Council decided to sign and conclude an agreement with Colombia establishing a framework for its participation in EU crisis management operations.

GENERAL AFFAIRS

EU-supported public transport projects - Court of Auditors report

The Council adopted conclusions on the Court of Auditors' special report entitled "Effectiveness of EU-supported public urban transport projects", as set out in [11254/14](#).

JUSTICE AND HOME AFFAIRS

Europol - General report 2013

The Council took note of the general report on Europol's activities in 2013 as adopted by the management board of Europol ([10426/14](#)).

It will forward the report to the European Parliament for information.

European Police College - Annual report 2013

The Council took note of and endorsed the annual report for 2013 on the European Police College ([10580/14](#)).

It will forward the report to the European Parliament and the Commission for information.

EUROPEAN ECONOMIC AREA

EEA agreement - Rights, equality and citizenship programme

The Council approved the position to be adopted by the EU within the European Economic Area (EEA) joint committee concerning an amendment to protocol 31 to the EEA agreement.

The amendment will enable EU regulation 1381/2013 establishing a rights, equality and citizenship programme for the period 2014 to 2020¹ to be incorporated in the EEA agreement ([10362/14](#)).

¹ OJ L 354, 28.12.2013, p. 62.

EEA agreement - Connecting Europe

The Council approved the position to be adopted by the EU within the European Economic Area (EEA) joint committee concerning an amendment to protocol 31 to the EEA agreement.

The amendment will enable cooperation between the contracting parties in the area of information services, and research and innovation to be extended ([10365/14](#)).

EEA agreement - Environment

The Council approved the position to be adopted by the EU within the European Economic Area (EEA) joint committee concerning an amendment to annex 20 to the EEA agreement.

The amendment will enable environmental cooperation between the contracting parties to be extended ([10368/14](#)).

ENERGY

Nuclear safety

The Council adopted a revised nuclear safety directive, introducing EU-wide nuclear safety objectives, strengthening the independence and role of national regulatory authorities, enhancing transparency on nuclear safety matters, and reinforcing monitoring and the exchange of experiences ([10562/14](#)).

For details, see press release [11320/14](#).

EMPLOYMENT

G20 labour and employment ministers' meeting

The Council endorsed EU guidelines on the priorities for the EU and its member states at a G20 labour and employment ministers' meeting that will take place in Melbourne, Australia, on 10-11 September.

FISHERIES

Atlantic tuna - EU position at ICCAT

The Council approved the position to be taken by the EU at the annual meeting of the International Commission for the Conservation of Atlantic Tunas (ICCAT).

Before each annual meeting of the ICCAT, steps must be taken to ensure that the position stated on the EU's behalf takes account of the latest statistical, biological and other relevant information. In this regard, the decision provides that the EU is to act in accordance with the objectives and principles pursued under its reformed Common Fisheries Policy (CFP) notably through the precautionary approach maximum sustainable yield targets as laid down in regulation 1380/2013¹.

The ICCAT is an intergovernmental organisation responsible for the management and conservation of tuna and tuna-like species in the Atlantic Ocean and adjacent seas.

TRANSPARENCY

Public access to documents

The Council approved the new partial reply to confirmatory application No 26/c/02/09 following the judgment of the General Court in case T-63/10 ([11390/14](#)).

APPOINTMENTS

Committee of the Regions

The Council appointed Mr Jens Bo IVE and Mr Thomas Strecker Lerbak ADELSSKOV (Denmark) ([11251/14](#)) and Mr Luciano D'ALFONSO and Mr Sergio CHIAMPARINO (Italy) ([11355/14](#)), as members of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015.

¹ OJ L 354, 28.12.2013, p.22