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3338th Council meeting

Economic and Financial Affairs

Luxembourg, 14 October 2014

President **Pier Carlo Padoan**
Minister for Economic Affairs and Finance of Italy

P R E S S

Main results of the Council

*The Council agreed on the revision of the Directive on Administrative Cooperation which extends the scope for automatic exchange of information between tax authorities so as to enable them to better **combat tax evasion** and to improve tax collection.*

*The Council adopted conclusions on “**measures to support investment in Europe**” as a key element of the EU's efforts to promote competitiveness and growth.*

It called on the Commission to analyse ways to improve the business climate in Europe, notably the key nexus between investment and implementation of structural reforms.

It welcomed the creation of a task force, co-chaired by the European Investment Bank and the Commission with the participation of all member states, to investigate the main barriers and bottlenecks to investment and proposed practical solutions to overcome those impediments.

The task force will identify potentially viable investment projects to be realised in the short and medium term. It will lay the foundation for a credible and transparent pipeline of projects to boost EU competitiveness and growth potential in the medium to long -term.

Moreover, the Council highlighted the importance to adopt innovative financial and institutional arrangements with a view to further enhancing the catalysing role of the EIB and in general stressed the need to make the action of the EIB more effective.

EIB and the Commission will report on those strands of work in December.

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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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President of the Economic and Financial Committee
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ITEMS DEBATED

MEASURES IN SUPPORT OF INVESTMENT

The Council discussed measures to support investment as part of the EU's efforts to promote competitiveness and growth.

The European Investment Bank and the Commission reported on the creation of a task force to identify projects and analyse barriers to investment in Europe.

The Council adopted the following conclusions:

"The Council

1. **ACKNOWLEDGES** that despite significant structural efforts made by the Member States and significant improvements in financial market conditions, recent macroeconomic developments are disappointing with low GDP growth and very high and persisting levels of unemployment in much of Europe. **UNDERLINES** the urgency to implement further measures to boost competitiveness and the European growth potential with a view to strengthen expectations of future economic growth prospects. **RECALLS** the European Council conclusions of 27 June 2014 on a Strategic Agenda with a strong focus on jobs, growth and competitiveness and the call of the European Council of 30 August for rapid progress on implementing these orientations and to start working on these issues without delay.
2. **SHARES** the concerns on the decline of public and private investment in the EU since the onset of the financial crisis and **STRESSES** that it may be attributed to many different factors, including insufficient aggregate demand in some Member States, overall macroeconomic uncertainty, low capacity utilisation, public and private sector deleveraging – the latter in the context of stricter regulation on financial institutions, institutional bottlenecks, and structural impediments to investment, job and growth.
3. Against this background, **UNDERLINES** that improving the conditions for both public and private investment is at the center of the EU level-response to promote growth potential and sustain demand. **STRESSES** that investment policies stand at a strategic intersection where synergies can be achieved using different policy tools. The credibility of reforms and confidence over economic prospects are key ingredients to make policies work effectively. Moreover, investment is often cross-border and thus generates positive regional /European spillovers.
4. **WELCOMES** the announcement by President-elect Juncker to present an investment initiative within the first three months of his mandate.
5. **RECOGNISES** the need for a high level of ambition and a broad scope of action along several strands of work emerging from Ministers' discussions and **WELCOMES** the Commission and the EIB work, in close cooperation with Member States, on concrete actions to facilitate investment and identify related bottlenecks.

6. EMPHASISES, in particular, as a key condition for fostering investment, the nexus with structural reforms and the importance to identify, encourage and implement investment-supportive reforms to create all over Europe a conducive business climate, making full use of the country specific recommendations. RECOGNISES strong synergies between investment and the single market agenda and the need to fully exploit such synergies. WELCOMES the Commission's work to provide EU-wide analysis on key investment conditions such as efficient public administration and labour market, building on its assessments in the context of the European Semester.
7. STRESSES that the composition of public expenditure should be better orientated towards growth, notably in supporting of investment. RECOGNISES, in line with the Stability and Growth Pact, that sustainable public finances play an important role in providing a positive climate for investment. STRESSES that the quality of public expenditure in areas such as Research and Innovation is critical for the investment climate.
8. In line with the Communication from the Commission on Long-Term Financing of the European Economy, RECOGNISES the importance of promoting a friendlier regulatory framework for long-term investment and of developing a more balanced financial system, including through the availability of alternative sources of finance.
9. In this context, EMPHASISES the need to examine measures including revitalising the market for simple and transparent securitisations, deepening market-based financing channels especially for SMEs and promoting the diversification of the EU financial system through enhanced access to capital markets, as an integral part of the policy package.
10. WELCOMES the establishment of a Task Force, led by the EIB and the Commission and including the Member States, with a view to working on concrete measures to boost investment. It will identify potentially viable investment projects of European relevance that could be realised in the short and medium term and lay the foundation for a credible and transparent pipeline of projects to boost EU competitiveness and growth potential in the medium to long-term.
11. AGREES with the need to focus on key sectors with EU-added value to boost the competitiveness and the growth potential of the Union, notably research and innovation, digital economy, energy and transport infrastructure, social infrastructure and the environment including activities of SMEs and Mid-caps in line with the announced Political Guidelines of the new Commission, thus contributing to the full completion of the single market.
12. WELCOMES that the Task Force will provide an overview of the main investment trends and needs in these sectors; analyse the main barriers and bottlenecks to investment; propose practical solutions to overcome those barriers and bottlenecks.
13. CALLS upon the Commission to consider options to further focus the EU budget towards productive and growth-oriented investments and fully exploit the potential of its catalyst role; consider enhancing its technical assistance programs; consider streamlining governance arrangements and delivery mechanisms under further joint initiatives with the EIB; build upon existing initiatives, such as the Project Bonds, on the basis of their upcoming assessment.

14. **HIGHLIGHTS** the importance to adopt innovative financial and institutional arrangements with a view to further enhancing the catalysing role of the EIB, including enhancing financial partnership among the EIB and the National Promotional Banks, such as setting up a European common “Platform for Investment” and other ways to mobilise private capital.
15. **STRESSES** the need to make the action of the European Investment Bank more effective, including by fully exploiting its risk bearing capacity to support European investment in key sectors to boost competitiveness and growth potential, and further extend the scope of its financing tools, while continuing to bridge market gaps stemming from financial fragmentation and preserving the Bank’s solid financial strength. **EMPHASISES** that all options and initiatives to scale up resources for investment should be considered, including mobilising EIB resources, private capital, and tapping existing lines of the EU budget.
16. **WELCOMES** that EIB and the Commission will report on the strands of work above described at the December Ecofin."

RESEARCH AND INNOVATION AS SOURCES FOR GROWTH

The Council took note of a communication by the Commission on research and innovation as sources of renewed growth.

The communication contains proposals on how to better exploit the potential of research and innovation as drivers of economic growth ([10897/14](#)).

The Competitiveness Council is due to adopt conclusions on the subject at its meeting on 4-5 December.

FOLLOW-UP TO INTERNATIONAL FINANCE MEETINGS

The Council took note of the outcome of international finance meetings held in Washington D.C. on 9-12 October, namely:

- G20 finance ministers' and central bank governors' meeting;
- meetings of the IMF and World Bank Group.

It took note also of the outcome of a G20 ministerial meeting that took place in Cairns on 19-21 September.

BANK RESOLUTION - CONTRIBUTIONS BY BANKS

The Commission updated the Council on the preparation of implementing legislation on contributions by banks to resolution funds established under new EU rules.

The Council held an exchange of views.

Banks will have to make annual contributions to resolution funds established under the directive on bank recovery and resolution and the regulation on the single resolution mechanism. Contributions will be calculated on the basis of the banks' liabilities, excluding own funds and covered deposits, and adjusted for risk.

The Commission is due to adopt a delegated act and a proposal for an implementing act according to article 103(7) of the directive and article 70(7) of the regulation, respectively.

These will determine how banks' contributions are calculated. In particular, they will specify how risk is accounted for and what the relationship should be between the flat contribution (which all banks must pay pro rata to their size) and the risk-adjusted contribution.

The delegated act will enter into force if the European Parliament and the Council do not object within three months. Either institution can extend this deadline by a further three months. However, entry into force can be earlier if both institutions indicate that they will not object.

The Council will adopt the implementing act on the basis of a proposal by the Commission.

The Commission confirmed that it will conclude its work on the two acts at the end of October. It is currently consulting with member states and the Parliament to ensure that the delegated act can enter into force rapidly once adopted.

The directive on bank recovery and resolution was adopted on 6 May. Member states have until 31 December 2014 to transpose it into national law¹. The regulation was adopted on 14 July, and will be applicable from 1 January 2016².

¹ See press release [9510/14](#).

² See press release [11814/14](#).

COMBATING TAX EVASION - AUTOMATIC EXCHANGE OF INFORMATION

The Council agreed on a draft directive extending the mandatory automatic exchange of information between tax authorities, thereby enabling them to better combat tax evasion and to improve the efficiency of tax collection.

The proposal brings interest, dividends and other income, as well as account balances and proceeds from the sale of financial assets, within the scope of the automatic exchange of information. It thus amends directive 2011/16/EU on administrative cooperation in the field of direct taxation.

It is aimed at remedying situations where a taxpayer seeks to hide capital or assets on which tax is due. Unreported and untaxed income is considerably reducing potential national tax revenues. Cross-border tax fraud and tax evasion have become a major focus of concern both within the EU and at global level.

The automatic exchange of information is an important means for strengthening the efficiency and effectiveness of tax collection, and the new directive sets out to achieve that goal.

The text will be adopted at a forthcoming Council meeting without further discussion.

For details, see press release [14185/14](#).

ENERGY TAXATION

The Council debated a proposal to restructure the taxation of energy products and electricity in line with EU policy objectives regarding energy and climate change.

The presidency submitted a compromise proposal and an explanatory note ([13814/14](#)) setting out the key issues, including:

- the proposed minimum rates;
- the treatment of biofuels;
- the tax treatment of installations also covered by the EU ETS.

Noting the divergent positions of member states on the key issues covered by the compromise proposal, the presidency indicated that the Council would return to the issue in the future.

The Commission's original proposal amends the existing energy taxation directive¹ in order to promote energy efficiency and the consumption of more environmentally friendly products. The Commission presented its proposal in April 2011 ([9270/11](#)).

In particular, the proposal seeks to ensure consistent tax treatment of energy sources based on CO₂ emissions and energy content, rather than volume. It adapts the framework for the taxation of renewable energies.

The proposal provides a framework for the use of CO₂ taxation to complement the EU's emission trading scheme (ETS), whilst avoiding overlaps. Under the current directive, energy is taxed without taking into account whether, in a particular case, the limitation of CO₂ emissions is already ensured through the EU ETS.

Under the new directive, energy taxation would consist of two components: CO₂-related taxation and general energy consumption taxation. The proposal revises the minimum level of taxation to reflect CO₂ emissions and energy content, whilst ensuring consistency across various sources of energy. Currently, some energy products, in particular coal, are favoured over others in their tax treatment.

Public deliberations: <http://video.consilium.europa.eu/webcast.aspx?ticket=775-979-14949>

¹ Directive 2003/96/EC.

OTHER BUSINESS

– *Ongoing work on legislative dossiers*

The Council took note of ongoing work on financial services dossiers.

– *EU budget*

The Commission updated the Council on the situation concerning payments under the EU budget. It highlighted outstanding issues related to the budgets for 2014 (draft amending budgets) and 2015.

EVENTS IN THE MARGINS OF THE COUNCIL

The following events took place in the margins of the Council:

– **Eurogroup**

Ministers of the euro area member states attended a meeting of the Eurogroup on 13 October.

They discussed Cyprus's and Greece's economic adjustment programmes, the economic situation and fiscal policy stance, preparations for the next Euro Summit, and the follow-up to euro area recommendations on boosting investment.

– **Meeting with EFTA finance ministers**

Ministers met their counterparts from the EFTA countries: Iceland, Liechtenstein, Norway and Switzerland.

They discussed cooperation in the field of financial supervision and financial regulation, as well as the economic outlook in Europe.

Agreement was reached on the incorporation into the EEA agreement of EU regulations on the European supervisory authorities for the financial sector. EU and EFTA ministers adopted joint conclusions.

– **Joint statement with Switzerland on company tax issues**

Representatives of the EU member states and Switzerland signed a joint statement on company tax issues.

The joint statement sets out possible next steps to be taken for company tax issues that are of mutual concern and which are considered to be potentially harmful. It expresses shared principles and the shared political intention to resolve these issues.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Indemnity insurance: minimum levels

The Council decided not to object to the adoption by the Commission of a regulation setting the minimum amount for the professional indemnity insurance or comparable guarantee to be held by credit intermediaries at €460 000 for each individual claim and at €750 000 per calendar year for all claims.

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

Electricity tax - Germany, Sweden - Shore-side electricity

The Council adopted two decisions authorising Germany and Sweden to continue applying, in accordance with article 19 of directive 2003/96/EC, a reduced tax rate on electricity directly provided to vessels at berth in a port, provided the minimum levels of taxation set in article 10 are respected.

With this measure, the German and Swedish governments aim to promote a more widespread use of shore-side electricity as a less environmentally harmful way for ships to satisfy their electricity needs while lying at berth in ports, compared to the burning of bunker fuels on board the vessels. The derogations will apply from 17 July 2014 until 16 July 2020 in Germany, and from 26 June 2014 until 25 June 2020 in Sweden. They extend decisions that expired the day before the new application dates.
