Council of the
European Union

EN

10089/15

(OR. en)

PRESSE 44
PR CO 36

OUTCOME OF THE COUNCIL MEETING

3399th Council meeting

Economic and Financial Affairs

Luxembourg, 19 June 2015

President **Jānis Reirs**
Minister for Finance of Latvia

PRESS

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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.
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ITEMS DEBATED

BANKING STRUCTURAL REFORM

The Council agreed its negotiating stance on structural measures to improve the resilience of EU credit institutions.

The proposal is aimed at strengthening financial stability by protecting the deposit-taking business of the largest and most complex EU banks from potentially risky trading activities.

It applies to banks that are either deemed to be of global systemic importance or exceed certain thresholds in terms of trading activity or absolute size. Despite recent regulatory reforms in the banking sector, these credit institutions and groups remain too-big-to-fail, too-big-to-save and too complex to manage, supervise and resolve.

The agreement within the Council will enable the incoming presidency to start negotiations with the European Parliament, as soon as the EP has established its position.

For details:

Press release on Council negotiating stance on banking structural reform

EUROPEAN FUND FOR STRATEGIC INVESTMENT

The Council was briefed on next steps in the establishment of a European fund for strategic investment (EFSI), part of the EU action plan on investment.

The EFSI regulation will be adopted by the Council by written procedure once the European Parliament has approved it at first reading. The EP vote is scheduled for 24 June. The regulation will consequently enter into force at the beginning of July, in line with the deadline set with the European Council. The EFSI is expected to become fully operational already as of as mid-September 2015.

The EFSI is intended to stimulate participation by private investors in a broad range of new investment projects. By taking on part of the risk through a first-loss liability, it is expected to achieve an overall multiplier effect of 1:15 in real investment. Such leverage will eventually allow more than €300bn of new investment, to be mobilised during a three-year period.

The fund will be built on €16 billion in guarantees from the EU budget and €5 billion from the European Investment Bank. EU funding will come from redeployment of funds for the Connecting Europe facility (transport, energy and digital networks) and the Horizon 2020 programme (research and innovation), as well as from unused margins in the EU's annual budget.

The new fund will be established within the EIB by an agreement between the EIB and the Commission. It will support projects in areas such as transport, energy and broadband infrastructure, education, health, research and risk finance for SMEs.

Negotiations with the European Parliament were led by the presidency, and an agreement was reached on 28 May 2015 (with final endorsement on 4 June). The deal was approved on behalf of the Council on 9 June, by the Permanent Representatives Committee (Coreper).

The regulation requires a qualified majority for adoption by the Council, in agreement with the European Parliament. (Legal basis: articles 172, 173, 175(3) and 182(1) of the Treaty on the Functioning of the EU).

The EFSI is one of the core elements of the Commission's €315 billion "investment plan for Europe", published in November 2014.

Press release on Coreper approval of agreement with EP on EFSI
Communication from the Commission on the investment plan

TAX TRANSPARENCY - CROSS-BORDER RULINGS

The Council discussed a proposal to amend directive 2011/16/EU so as to require member states to exchange information automatically about advance cross-border tax rulings, as well as advance pricing arrangements[1].

The Council noted good progress during the two months since the proposal was presented, and all member states supported the main objectives set out by the Commission. Work will continue at technical level so as to enable the Council to reach an agreement in autumn 2015.

The proposal is part of a package of measures to prevent corporate tax avoidance and harmful tax competition between member states. Tax planning by companies has become more elaborate in recent years, developing across jurisdictions with the shifting of taxable profits towards states with more advantageous tax regimes.

The proposal is aimed at amending directive 2011/16/EU, which sets out practical arrangements for the exchange of information between tax administrations. This work takes into consideration developments within the OECD and its work on measures against tax base erosion and profit shifting.

The Council provided guidance for further technical work on the following issues.

- the scope of the information to be exchanged;
- the timing for the start of exchange of information;
- the role the Commission could play in the context of exchange of information between member states.

The directive requires unanimity for adoption by the Council, after consulting the European Parliament. (Legal basis: article 115 of the Treaty on the Functioning of the EU.)

[1] A tax ruling is an assurance that tax authorities give to taxpayers on how their tax will be calculated. An advance pricing arrangement is a contract between a company and a tax authority specifying the pricing method that will be applied to goods and services sold between related legal entities within the company.

PREVENTING CORPORATE TAX AVOIDANCE - INTEREST AND ROYALTIES

The Council discussed a proposed recast of directive 2003/49/EC on taxation applicable to cross-border interest and royalty payments between associated companies.

It discussed in particular the possible adoption, as a first step, of an anti-abuse clause to prevent the directive being used by multinational companies for tax avoidance and aggressive tax planning. A "de minimis" rule, the clause would prevent member states from granting the benefits of the directive to arrangements that are not "genuine", i.e. that have been put into place to obtain a tax advantage without reflecting economic reality.

In order to make progress on this 2011 proposal, the presidency proposed to agree first on the anti-abuse clause. Work in the Council would continue however on remaining elements, including effective taxation as part of a proposed review of the directive.

Whilst a broad majority of member states supported the presidency's proposal to split the proposal in this manner in order to move beyond the status quo, some member states expressed their preference for a more ambitious approach.

The directive requires unanimity for adoption by the Council, after consulting the European Parliament. (Legal basis: article 115 of the Treaty on the Functioning of the EU.)

Presidency June 2015 compromise proposal on the interest and royalties directive

BANKING UNION

The Council reviewed implementation of Europe's banking union, specifically as concerns instruments to deal with the recovery and resolution of failing banks.

The Commission provided an update on:

– transposition of a directive on bank recovery and resolution;

– ratification of an intergovernmental agreement on the single resolution fund (SRF);

– the functioning of the single resolution board (SRB).

The Council also discussed bridge financing for the SRF.

It called on member states to complete transposition and ratification measures at national level. The Council noted that further efforts are needed on bridge financing, and agreed to return to the matter in autumn 2015.

The SRF and SRB are components of a single resolution mechanism (SRM) aimed at ensuring the orderly resolution of failing banks. The intergovernmental agreement contains provisions on the transfer and mutualisation of contributions to the SRF.

Established by a regulation in July 2014, the SRM will be applicable from 1 January 2016. The banking union comprises the 19 countries of the euro area, whilst 7 other member states have indicated their intention to join.

Press release on the adoption of the regulation establishing the SRM
Press release on the signature of the intergovernmental agreement on the SRF
Press release on SRF contributions and the appointment of members of the SRB
Press release on the adoption of the bank recovery and resolution directive

CAPITAL MARKETS UNION

The Council adopted conclusions on the development of a capital markets union in the EU.

A variety of measures are planned to strengthen capital markets in Europe so as to attract more investment for companies and for infrastructure projects. Improving access to finance for SMEs and start-ups, especially in innovative industries, is one of the main objectives. The Commission is expected to publish an action plan in autumn 2015.

For details:

June 2015 conclusions on a capital markets union

COUNTRY-SPECIFIC RECOMMENDATIONS

The Council approved, under the 2015 "European Semester" draft recommendations to 26 member states[1] on the economic policies set out in their national reform programmes. These include draft opinions on the fiscal policies set out in their stability/convergence programmes;

It also approved a specific draft recommendation on the economic policies of the euro area member states.

The texts will be forwarded to the General Affairs Council on 23 June, and to the European Council for endorsement at its meeting on 25 and 26 June 2015.

Similar preparations will be made by the Employment, Social Policy, Health and Consumer Affairs Council on 18 June as concerns the member states' employment policies.

The whole package is due to be adopted in July 2015.

For details:

Press release on draft 2015 country-specific recommendations

1 All except Cyprus and Greece, which are subject to macroeconomic adjustment programmes. To avoid duplication, there are no country-specific recommendations for these two countries.

BROAD ECONOMIC POLICY GUIDELINES

The Council approved a report on broad economic policy guidelines for the EU, and agreed to forward it to the European Council for endorsement.

For details:

2015 broad economic policy guidelines

ECONOMIC GOVERNANCE IN THE EURO AREA

The Council took note of the preparation of a report on the next steps for improving economic governance in the euro area.

The report will be submitted to the European Council on 25 and 26 June 2015. It is being prepared by the presidents of the European Council, the Commission, the European Central Bank and the Eurogroup, in association with the president of the European Parliament.

The Council agreed to return to the matter after the June European Council.

EXCESSIVE DEFICIT PROCDURE - MALTA, POLAND AND THE UNITED KINGDOM

The Council closed excessive deficit procedures for Malta and Poland and issued a new recommendation to the United Kingdom on measures to correct its deficit.

Abrogating decisions on the existence of excessive deficits in Malta and Poland, it confirmed that they have reduced their deficits below 3% of GDP, the EU's reference value for government deficits.

As a consequence, nine of the EU's 28 member states remain subject to the excessive deficit procedure, down from 24 during a 12-month period in 2010 and 2011. Most of these procedures were opened after the global financial crisis and recession of 2008 and 2009. The excessive deficit procedure has been used to support a return to sound fiscal positions.

As for the United Kingdom, the Council found that it had not taken sufficient action in response to its recommendation under the excessive deficit procedure. The new recommendation extends by two years, to the 2016-17 financial year, the deadline set for the UK to reduce its deficit below 3% of GDP.

As the UK (like Poland) is not a member of the euro area, it cannot face sanctions under the excessive deficit procedure.

For details:

Press release on 2015 closure of the excessive deficit procedure for Malta and Poland
Press release on 2015 recommendation to the UK under the excessive deficit procedure

OTHER BUSINESS

- ***Ongoing work on legislative dossiers***

The Council took note of on-going legislative work on financial services dossiers.

- ***Action plan on corporate taxation***

The Commission presented an action plan on corporate taxation.

Press release on Commission action plan on corporate taxation

MEETINGS IN THE MARGINS OF THE COUNCIL

- ***ESM board of governors***

The board of governors of the European Stability Mechanism held a meeting on 18 June 2015.

- ***Eurogroup***

Ministers of the euro area member states attended a meeting of the Eurogroup on 18 June 2015. They discussed the situation in Greece, the sixth review of Cyprus's economic adjustment programme, the second review of post-programme surveillance in Portugal, and the IMF's annual review of the economic situation in the euro area.

- ***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.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Code of conduct on business taxation

The Council endorsed a working group report on implementation of a code of conduct aimed at eliminating situations of harmful tax competition.

It adopted the following conclusions:

"With regard to the Code of Conduct (Business Taxation), the Council:

– welcomes the progress achieved by the Code Group during the Latvian Presidency as set out in its report (doc. 9620/15 FISC 60 ECOFIN 443);

– invites the Group to continue its discussion on the future of the Group;

– asks the Group to continue monitoring standstill and the implementation of the rollback as well as its work under the Work Package 2011;

– invites the Commission to continue the dialogue with Liechtenstein on the application of the principles of the Code of Conduct, as set out in the report;

– invites the Group to continue to monitor the alignment of the Patent boxes regimes in line with the compromise on the nexus approach;

– invites the Group to report back on its work to the Council by the end of the Luxembourg Presidency."

Taxation - Reports to the European Council

The Council endorsed two six-monthly reports to the European Council:

- a report on tax issues; and

- a report on tax issues by finance ministers participating in the Euro Plus Pact[1].

Accounting: Product classification

The Council decided not to object to the adoption by the Commission of a regulation amending the methodology for the classification of products by activity given in annex A to regulation 549/2013 on the European system of national and regional accounts in the EU.

The regulation amends the methodology for the current European system of accounts (ESA 2010) by bringing the references made in annex A to the classification of products by activity into line with the new classification introduced by regulation 1209/2014[2].

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.

Accounting: R&D expenditure

The Council decided not to object to the adoption by the Commission of a regulation supplementing regulation 549/2013 on the European system of national and regional accounts with regard to the format in which national accounts data on research and development expenditure should be submitted.

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.

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[1] Concluded in March 2011 by 23 of the 27 member states, the Euro Plus Pact is aimed at strengthening economic policy coordination with a view to improving competitiveness and enabling a greater degree of convergence.

[2] Commission Regulation (EU) No 1209/2014 of 29 October 2014 amending Regulation (EC) No 451/2008 of the European Parliament and of the Council establishing a new statistical classification of products by activity (CPA) and repealing Council Regulation (EEC) No 3696/93 (OJ L 336, 22.11.2014, p. 1).

German central bank - External auditors

The Council adopted a decision approving the appointment of 'KPMG AG Wirtschaftsprüfungsgesellschaft as external auditors of the Deutsche Bundesbank for the financial years 2015 to 2020.

VAT derogation - Denmark

The Council adopted a decision authorising Denmark, by way of derogation from article 75 of directive 2006/112/EC, to introduce a flat-rate scheme for the private use of light goods vehicles with a maximum authorised weight of three tonnes which have been registered solely for business use. The measure will not apply where the private use exceeds 20 days per calendar year.

The scheme is aimed at simplifying VAT collection and combating tax evasion.

The decision will apply until 31 December 2017.

Shore-side electricity - Denmark

The Council adopted a decision authorising Denmark, in accordance with article 19 of directive 2003/96/EC, to apply a reduced rate of taxation to electricity supplied directly to vessels berthed in ports. This is aimed at promoting the use of shore-side electricity in order to reduce air pollution in port cities and improve local air quality.

The measure would not apply to private pleasure craft. The minimum levels of taxation referred to in article 10 of directive 2003/96/EC would have to be respected.

The decision will take effect on the date of its notification and expire after six years.

FOREIGN AFFAIRS

Extension of sanctions in response to illegal annexation of Crimea and Sevastopol

The Council extended the EU restrictive measures in response to the illegal annexation of Crimea and Sevastopol until 23 June 2016.

See press release

BUDGETS

Draft amending budgets for 2015 - Migration, solidarity fund, budget surplus 2014

The Council adopted its position accepting draft amending budgets no 3-5 for 2015.

Draft amending budget no 3 seeks to incorporate the budget surplus of 2014 into the revenue side of the EU budget for 2015. The 2014 EU budget closed with a surplus of €1.43 billion.

Draft amending budget no 4 increases the 2015 EU budget by €66.5 million in commitments and payments for the EU solidarity fund to deal with the damage caused by floods in Italy (€56 million), Romania (€8.5 million) and Bulgaria (€1.98 million).

Draft amending budget no 5 increases the EU 2015 budget to respond to migratory pressures in the Mediterranean. It provides for additional resources to manage migration and refugee flows by €89 million in commitments and €76.6 million in payments. Since part of this support can be financed from unused funds in other areas the additional financing burden is limited to €75.8 million in commitments and no fresh payments are needed. The additional resources are intended to support FRONTEX, the Asylum, Migration and Integration Fund and the Internal Security Fund.

The European Parliament is expected to vote on the three draft amending budgets at its plenary session starting on 6 July 2015. If the Parliament accepts the Council's position the draft amending budgets will be adopted. If the Parliament adopts amendments a three-week conciliation period will begin.

TRADE POLICY

Trade in goods used for capital punishment and torture

The Council decided not to object to the adoption by the Commission of a regulation amending regulation 1236/2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

The regulation updates annex I of regulation 1236/2005 listing the competent authorities which may grant authorisations.

Belgium, Bulgaria, Denmark, Germany, Estonia, Ireland, Spain, France, Croatia, Latvia, Lithuania, Austria, Portugal, Romania, Slovakia, Finland and the United Kingdom had requested that the information concerning their competent authorities be amended.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. Now that the Council has given its consent, the act can enter into force unless the European Parliament objects to it.

ENERGY

Energy labelling

The Council decided not to oppose adoption by the Commission of the following delegated regulations, supplementing directive 2010/30/EU with regard to the energy labelling of

– professional refrigerated storage cabinets *(8558/15 + ADD 1+ ADD 2)*

– local space heaters *(8514/15 + ADD 1)*

Both regulations establish requirements for adequate labelling in terms of energy consumption and the provision of supplementary product information to the consumer.

Unless the European Parliament objects, these delegated acts can now be published, and enter into force on the twentieth day following publication in the Official Journal.

INDUSTRY

Motor vehicles - Technical prescriptions

The Council adopted a decision aimed at supporting certain amendments to the agreement of the United Nations Economic Commission for Europe (UNECE) concerning the adoption of uniform technical prescriptions for wheeled vehicles, equipment and parts used on wheeled vehicles.

The decision includes support for a new UN regulation which seeks to harmonise safety provisions for the type-approval of electric vehicles of category L.

UNECE develops harmonised requirements intended to remove technical barriers to the trade in motor vehicles between the contracting parties to the agreement. The EU is a contracting party to this agreement and votes on behalf of the member states.

AGRICULTURE

Pesticides - transitional measures

The Council decided not to oppose the adoption by the Commission of a regulation amending regulation 284/2013[1] as regards the transitional measures applying to procedures concerning plant protection products (*8879/15*).

Commission Regulation 284/2013 laid down new data requirements for plant protection products. In order to allow member states and interested parties to prepare for meeting these new requirements, the regulation establishes transitional measures concerning submission of data.

The delegated act applies in particular to certain renewals of authorisation of plant protection products which could be submitted after the 31 December 2015, which was the initial deadline scheduled for applying transitional provisions. Considering not all applications will have been submitted by this date, and in order to ensure that all applications are subjects to the same data requirements, transitional provisions will continue to apply after this date.

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.

[1] Commission Regulation (EU) No 284/2013 of 1 March 2013 setting out the data requirements for plant protection products, in accordance with Regulation (EC) No 1107/2009 of the European Parliament and of the Council concerning the placing of plant protection products on the market (OJ L 93, 3.4.2013, p. 85).

FISHERIES

Amendment to fishing opportunities 2015 - seabass, capelin and redfish

The Council adopted by written procedure on 23 March 2015 an amendment to regulation 2015/104 as regards certain fishing opportunities for 2015 (*9774/15*).

Regulation 2015/104 fixes for 2015 fishing opportunities for certain fish stocks for EU vessels in Union and certain non-Union waters. This amendment establishes:

– monthly catch limits of seabass in certain fishing areas and extension to other areas of conservation actions initiated by some member states to reduce the pressure on this fish stock ;

– monitoring of seabass catches through collection of data on a monthly basis;

– fixing and allocation of EU fishing opportunities and fixing a quota for Norway as regards capelin in the Greenland waters;

– adjustment of EU cod quota in Norwegian waters;

– measures on the management of redfish certain fishing areas.

FOOD LAW

Approval of silicon dioxide as food additive in extracts of rosemary

The Council decided not to oppose the adoption of a Commission regulation authorising the use of of silicon dioxide (E 551) as an anti-caking agent in extracts of rosemary (E 392) (*8814/15*).

The Commission regulation is 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.