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OUTCOME OF THE COUNCIL MEETING

3605th Council meeting

Economic and Financial Affairs

Brussels, 13 March 2018

President **Vladislav Goranov**
Minister for Finance of Bulgaria

P R E S S

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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.

ITEMS DEBATED

TAX INTERMEDIARIES

The Council reached agreement on a proposal aimed at achieving greater transparency in tax planning schemes.

The proposed directive is the latest of a number of measures designed to prevent corporate tax avoidance.

It is aimed at preventing aggressive tax planning by enabling increased scrutiny of the activities of tax intermediaries. These include tax advisors, accountants and lawyers that design and/or promote tax planning schemes.

As tax planning structures become ever more sophisticated, member states find it increasingly difficult to protect their tax bases from erosion.

The directive will require tax intermediaries to report tax planning schemes that are considered potentially aggressive. Member states will be obliged to automatically exchange any information they receive, thus enabling measures to be taken to block harmful arrangements.

The draft directive reflects work within the OECD on model mandatory disclosure rules addressing tax avoidance arrangements.

The Council will adopt the directive without further discussion once the text has been finalised in all official languages. Member states will have until 31 December 2019 to transpose it into national laws and regulations.

Press release on March 2018 Council agreement on tax intermediaries

ECONOMIC POLICY – MACROECONOMIC IMBALANCES

Ministers held an exchange of views on 'country reports' and 'in-depth reviews' under the 'European Semester', the EU’s annual policy monitoring process.

Published by the Commission on 7 March 2018, the country reports examine the economic situation in 27 member states. The in-depth reviews assess 12 member states under the EU's macroeconomic imbalances procedure.

Ministers also discussed the challenges of implementing policy related to productivity growth. Ireland and the Netherlands presented their own experiences of reforms designed to enhance productivity.

Furthermore, the president of the Court of Auditors presented a special report on the EU’s macroeconomic imbalance procedure.

The Council adopted conclusions (5988/18) on the Court's report.

– Productivity growth

The current economic good times are providing the EU with an opportunity to address long-term challenges, amongst which productivity growth is prominent. The contribution of labour input to potential growth in the EU is forecast to diminish; it is expected that potential growth after 2020 will be entirely driven by labour productivity.

However, productivity growth in the EU has lagged behind global competitors since well before the 2008-09 economic crisis. The case studies of Ireland and the Netherlands illustrate the variety of channels for productivity growth and how substantially these can vary. These two and other member states are increasingly encountering bottlenecks and skills shortages.

– Country reports

The country reports analyse the economic and social challenges faced by the member states in 2018, and assess their policy reforms. They also assess implementation of the Council's 2017 country-specific recommendations.

The findings are intended to feed into the economic and fiscal policy programmes that the member states will submit in April 2018.

There is no country report or in-depth review for Greece, as it is subject to enhanced surveillance under a macroeconomic adjustment programme.

– Macroeconomic imbalances

For the 12 member states subject to in-depth reviews, the Commission finds that:

- Croatia, Cyprus and Italy are experiencing excessive economic imbalances;
- Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden are experiencing economic imbalances that are not considered excessive;
- Slovenia is no longer experiencing economic imbalances.

The 11 countries experiencing imbalances will continue to be subject to specific monitoring.

Press release on country reports and in-depth reviews under the 2018 European Semester

– Follow-up

The 2018 European Semester will conclude with the adoption of new country-specific recommendations in July. The European Council will provide policy guidance at its meeting on 22 and 23 March.

– **Court of Auditors report**

The special report examines whether the macroeconomic imbalances procedure is soundly based and adequately implemented.

It examines in detail a sample of four countries – Bulgaria, France, Slovenia and Spain – and to a lesser degree other member states.

The report commends the procedure for its design, but highlights a lack of effectiveness in preventing and correcting imbalances.

The macroeconomic imbalances procedure operates on an annual cycle. It was introduced in 2011 as a response to the sovereign debt crisis, when the EU had no policy instruments for preventing the build-up of harmful imbalances.

In its conclusions, the Council agrees on the need to further reinforce and improve implementation.

2018 Court of Auditors special report on the macroeconomic imbalances procedure

INTERNATIONAL MEETINGS

The Council took stock of preparations for a meeting of G20 finance ministers and central bank governors in Buenos Aires on 19 and 20 March 2018.

It also asked the Economic and Financial Committee to prepare for the spring meetings of the G20 and the International Monetary and Financial Committee, to be held in Washington D.C. on 20-22 April.

The Buenos Aires meeting will include discussions on the state of the global economy, international financial institutions, financial regulation, taxation and the future of labour.

The presidency will represent the EU, together with the Commission and the European Central Bank.

It will be the first G20 ministerial meeting under Argentina's presidency, which took over from Germany in December 2017. The 2018 G20 summit will be held in Buenos Aires on 30 November and 1 December.

OTHER BUSINESS

– ***Financial services – Legislative proposals***

The Council was updated regarding work on legislative proposals in the field of financial services.

And the Commission presented a package of proposals related to the EU's capital markets union project.

March 2018 progress report on financial services legislative proposals

Council webpage on capital markets union

– ***Financial services – Implementation of legislation***

The Commission reported on the implementation of legislation in the field of financial services.

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on 12 March 2018. They discussed Greece's macroeconomic adjustment programme, as well as preparation for the Euro Summit on 22-23 March 2018 and the IMF's spring meetings on 20-22 April 2018.

Eurogroup main results

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation.

They also discussed a package of measures aimed at reducing risk in the banking industry, implementing reforms agreed at international level.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Taxation – Non-cooperative jurisdictions

The Council adjusted the EU's list of non-cooperative jurisdictions in the light of:

- commitments made by listed jurisdictions;
- an assessment of jurisdictions for which no decision had yet been taken.

It removed Bahrain, the Marshall Islands and Saint Lucia from the list and added the Bahamas, Saint Kitts and Nevis and the US Virgin Islands.

The list is intended to promote good governance in taxation worldwide, maximising efforts to prevent tax avoidance, tax fraud and tax evasion. It was prepared during 2017 in parallel with work within the OECD.

For details, see press release.

VAT - Latvia - Games consoles

The Council adopted a decision allowing Latvia to introduce a measure derogating from the EU's VAT system in order to prevent fraud (6669/18 + 6267/18).

The measure provides for a reversal of VAT liability ('reverse charge mechanism') for supplies of games consoles.

The derogation is allowed until 31 December 2018.

JUSTICE AND HOME AFFAIRS

Schengen evaluation - France

The Council adopted an implementing decision setting out a recommendation on addressing the serious deficiencies identified in the 2016 evaluation of France on the application of the Schengen acquis in the field of the Schengen Information System (7137/18).

Internal security fund - Switzerland

The Council adopted a decision (6221/18) on the signing of the agreement (6223/18) between the EU and Switzerland on supplementary rules in relation to the instrument for financial support for external borders and visas, as part of the Internal Security Fund for the period 2014 to 2020.

It also decided to request the European Parliament's consent to the conclusion of the agreement, once the agreement has been signed.