Council of the
European Union

EN

10203/18

(OR. en)

PRESSE 36
PR CO 36

OUTCOME OF THE COUNCIL MEETING

3626th Council meeting

Economic and Financial Affairs

Brussels, 22 June 2018

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P R E S S

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[1]
- 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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ITEMS DEBATED

VAT SYSTEM – SHORT-TERM FIXES

The Council discussed proposed adjustments to the EU's VAT rules to fix specific issues pending the introduction of a new VAT system.

With discussions underway on a definitive VAT system to replace the current transitional arrangements, four short-term 'quick fixes' are proposed.

They relate to call-off stock, the VAT identification number, chain transactions and proof of intra-EU supply.

Despite progress on these, the Council was unable to reach agreement at this stage, given the wish of some member states to fix a fifth issue that was not covered by the Commission's proposals.

This provision involves the addition of a VAT exemption for groups of taxable persons that pool services and share costs.

The dossier is referred to the incoming presidency with a view to resolving this outstanding issue.

The Council requires unanimity to adopt the proposals, after consulting the European Parliament. (Legal basis: article 113 of the Treaty on the Functioning of the European Union and article 397 of regulation 282/2011.) The Parliament’s opinion is pending.

EUROPEAN DEPOSIT INSURANCE SCHEME

The Council took note of progress on a proposal for a European deposit insurance scheme (EDIS), a key element in plans for strengthening the EU's banking union.

The proposed regulation is aimed at establishing an EU-level insurance scheme to strengthen the protection of bank deposits.

A six-monthly progress report summarises work within the Council's working group, both on EDIS and on reducing risk and other measures related to the banking union. It is intended to facilitate further work.

Whereas deposit guarantee schemes provide protection at national level in the event of bank failure, they remain vulnerable to local shocks. Providing insurance at EU level, EDIS is proposed as the third ‘pillar’ of the EU’s banking union, alongside the existing single supervisory mechanism for the industry and single resolution mechanism for unviable banks.

The banking union is aimed at establishing a sound basis for Europe’s banking industry, and ensuring that unviable banks are resolved without recourse to taxpayers’ money. Launched in 2012, it currently comprises the 19 countries of the euro area, whilst 7 other member states have also stated their intention to join.

In June 2016, the Council agreed that negotiations on EDIS at political level would start as soon as progress had been made on measures to reduce risk in the financial sector. Discussions since then have been of a technical nature.

The regulation needs a qualified majority for adoption by the Council, in agreement with the European Parliament. (Legal basis: article 114 of the Treaty on the Functioning of the European Union.)

June 2018 progress report on the EDIS proposal
June 2016 Council conclusions on a roadmap to complete the banking union

ECONOMIC AND FISCAL POLICIES – COUNTRY-SPECIFIC RECOMMENDATIONS

The Council approved, under the 2018 'European Semester' monitoring process, draft recommendations to 27 member states[1] on their economic and fiscal policies.

The draft recommendations assess the economic policies set out in the member states' 'national reform programmes'. They include draft opinions on the fiscal policies contained in their 'stability' and 'convergence' programmes.

The texts will be forwarded to the General Affairs Council on 26 June, and to the European Council for endorsement at its meeting on 28 and 29 June 2018.

Similar preparations were made by the Employment, Social Policy, Health and Consumer Affairs Council on 21 June with regard to member states' employment policies.

The whole package is due to be adopted in July 2018.

Press release on the draft 2018 country-specific recommendations

[1] There is no country-specific recommendation for Greece, as it is subject to enhanced policy monitoring under a macroeconomic adjustment programme.

STABILITY AND GROWTH PACT – FRANCE, HUNGARY AND ROMANIA

The Council took a number of decisions under the Stability and Growth Pact, the EU's fiscal rulebook.

It closed the excessive deficit procedure for France, confirming that it has reduced its deficit below 3% of GDP, the EU's reference value for government deficits.

As a consequence, 23 of the 24 excessive deficit procedures that were pending at the height of the euro crisis have now been closed.

Press release on 2018 closure of the excessive deficit procedure for France

The Council also adopted a decision establishing that Romania has once again failed to take effective action to correct a significant budgetary deviation.

It issued a new recommendation to Romania – the third since June 2017 – as well as a recommendation to Hungary on measures to correct their budgetary deviations.

Press release on 2018 recommendations to Hungary and Romania on budgetary deviations

ECONOMIC AND MONETARY UNION – CONVERGENCE REPORTS

The Commission and the European Central Bank presented reports on the readiness for euro membership of the 7 non-eurozone member states that have a derogation[1] from economic and monetary union (EMU).

The reports find that all 7 have made progress with regard to EMU convergence criteria, but none of them meet all of the conditions for adopting the euro at this stage.

Nineteen of the EU's 28 member states currently use the euro as their currency. Of the 9 that do not, 7 have a derogation. Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Sweden fall into this category, whilst Denmark and the United Kingdom are not required to adopt the euro.

Article 140 of the Treaty on the Functioning of the European Union requires the Commission and the ECB to issue convergence reports every two years, or if requested by a non-eurozone member state.

The reports assess:

- the fulfilment of EMU obligations, including the compatibility of national legislation and central bank statutes with treaty provisions and with the statutes of the European System of Central Banks;

- the fulfilment of convergence criteria as regards price stability, the sustainability of public finances, exchange rates and long-term levels of interest rates.

They also take account of market integration and each country's balance of payments, as well as unit labour costs and other price indices.

2018 convergence report by the Commission

2018 convergence report by the ECB

[1] Having a derogation implies that a member state has not yet fulfilled the conditions for adopting the euro.

OTHER BUSINESS

– ***Financial services***

Ministers took note of work underway on legislative proposals in the area of financial services.

June 2018 note on financial services legislative proposals

– ***Insolvency***

Ministers were updated with regard to work within the Justice and Home Affairs Council on a proposal on restructuring and insolvency and restructuring.

2016 proposal for a directive on restructuring and insolvency

MEETINGS IN THE MARGINS OF THE COUNCIL

– *ESM board of governors*

The board of governors of the European Stability Mechanism held its annual meeting on 21 June 2018.

– *Eurogroup*

Ministers of the eurozone member states attended a meeting of the Eurogroup on 21 June 2018.

They discussed the completion of Greece's economic adjustment programme, reaching an agreement on the elements to support the country's exit from the programme in August 2018. They discussed post-programme surveillance in Cyprus, the IMF's annual recommendations to the euro area, and Spain's updated draft budgetary plan for 2018. The Italian and Spanish ministers presented their new governments' policy priorities.

The Eurogroup also met in an extended format (27 member states) to prepare for the Euro Summit on 29 June 2018.

It discussed the further development of the EU's economic and monetary union.

Eurogroup main results

– *EIB board of governors*

Ministers met in their capacity as governors of the European Investment Bank for the EIB's annual board of governors meeting.

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation. They also discussed the EU's multiannual financial framework for the 2021-27 period, and the French and German ministers reported on the Franco-German summit at Meseberg on 19 June 2018.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

VAT fraud – Administrative cooperation

The Council agreed on measures to strengthen administrative cooperation in order to improve the prevention of VAT fraud.

The proposed regulation addresses the most widespread forms of cross-border fraud.

Amending regulation 904/2010, it sets out to:

– improve the exchange and analysis of information shared by the member states' tax administrations and with law enforcement bodies;

– strengthen Eurofisc, a network of national tax officials for the exchange of information on VAT fraud;

It also introduces new instruments for cooperation such as administrative enquiries carried out jointly.

Press release on 2018 Council agreement on VAT administrative cooperation

VAT minimum standard rate

The Council adopted a directive making permanent the 15% minimum standard VAT rate currently in force.

The minimum standard rate prevents excessive divergence in VAT rates in the member states. This eliminates the risk of distortions of competition through lower VAT rates that would have an impact on cross-border shopping and trade.

A 15% minimum standard rate has been maintained on a provisional basis since VAT rules for the EU single market were first applied in 1993. It was last extended in May 2016 for two years, expiring on 31 December 2017.

Proposals aimed at replacing the current transitional VAT arrangements by a definitive VAT system and reforming VAT rates are meanwhile under discussion. The Commission issued proposals in January and May 2018.

April 2018 draft directive on the minimum standard VAT rate

Code of conduct on business taxation

The Council adopted the following conclusions:

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

1. WELCOMES the progress achieved by the Code of Conduct Group during the Bulgarian Presidency as set out in its report (doc. 9637/18), in particular with regard to the monitoring of commitments taken by jurisdictions in the context of the EU listing exercise;

2. ENDORSES the new multiannual work package set out in annex to the progress report by the Group;

3. ASKS the Group to continue monitoring standstill and the implementation of the rollback, including with regard to jurisdictions screened in 2017;

4. NOTES WITH SATISFACTION the various initiatives undertaken by the Group since the beginning of the year to increase the visibility of its work and further transparency;

5. WELCOMES in particular the publication of a compilation of the guidance agreed by the Group (doc. 5814/1/18 REV 1) and of an overview of the preferential tax regimes it has examined since its creation in March 1998 (doc. 9639/18), as well as the publication of compilations of all the letters seeking commitments by jurisdictions (doc. 6671/18) and the commitment letters received in return on which consent was given by the jurisdiction concerned (doc. 6972/18);

6. Equally WELCOMES the progress achieved with regard to the monitoring of the implementation of agreed guidance, including the priority list agreed by the Group (doc. 6603/18);

7. INVITES the Group to continue exploring possible defensive measures that could be applied to non-cooperative jurisdictions in a coordinated manner, without prejudice to Member States' obligations under EU and international law;

8. WELCOMES the procedural guidelines for carrying out the process of monitoring commitments concerning the EU list of non-cooperative jurisdictions for tax purposes (doc. 6213/18) agreed by the Group in February 2018;

9. ENDORSES the way forward proposed by the Group with regard to the revision of the geographical scope of the EU listing exercise;

10. ENDORSES the scoping paper on criterion 2.2. set out in annex to the progress report by the Group;

11. ENDORSES the guidance on the interpretation of the third criterion set out in annex to the progress report by the Group;

12. INVITES the Group to report back to the Council on its work during the Austrian Presidency."

VAT - Germany and Poland - Frontier bridge

The Council adopted a decision allowing Germany and Poland to derogate from VAT rules with regard to the demolition of a border bridge and the construction of a new bridge between Küstrin-Kietz, in Germany, and Kostrzyn nad Odrą, in Poland (9793/18 + 9037/18).

By way of derogation from a territoriality principle established under VAT rules, supplies of goods and services for the project will, for VAT purposes, be carried out on the territory of Poland and thus be subject to Polish VAT. Germany and Poland consider this arrangement to be justified in order to simplify the procedure for complying with VAT obligations.

Agreement with Norway – VAT

The Council adopted a decision approving an agreement with Norway aimed at improving cooperation in the area of VAT.

The agreement, signed in Sofia on 6 February 2018, provides EU member states and Norway with a legal framework for administrative cooperation in:

– preventing VAT fraud;

– assisting each other in the recovery of VAT claims.

The agreement follows the same structure that is currently used for cooperation between the EU's member states. It provides the same instruments, such as electronic platforms and e-forms. Fraud schemes often exploit weaknesses in the way VAT transaction chains are controlled when they include counterparts located in third countries.

Norway is the first country with which the EU has an agreement in this field. A member of the European Economic Area, it has a similar VAT system to the EU's and enjoys a good track record of VAT cooperation with the EU member states.

2017 agreement with Norway on administrative cooperation in the area of VAT

Decision on the conclusion of the 2017 EU-Norway agreement on VAT administrative cooperation

Report on tax issues

The Council approved a six-monthly report to the European Council on tax issues.

June 2018 report to the European Council on tax issues

Lietuvos bankas - External auditors

The Council adopted a decision appointing UAB Deloitte Lietuva as external auditors of the Lietuvos bankas, the central bank of Lithuania, for the financial years 2018 to 2021 (*9595/18* + *9602/18*).

BUDGETS

Funding for the Facility for Refugees in Turkey - Draft amending budget no 3/2018

The Council approved a Commission proposal to allocate €500 million from the EU budget for 2018 to finance a prolongation of the Facility for Refugees in Turkey.

The aim of the draft amending budget no 3 to the 2018 EU budget is to ensure continuity of support for the projects on the ground pending an agreement between the member states on the details of the financing of an additional €3 billion for this facility.

The funding is in particular intended to ensure that the education of child refugees can continue without interruption.

FOREIGN AFFAIRS

Relations with African, Caribbean and Pacific countries

On 22 June 2018, the Council adopted the negotiating mandate for the future agreement between the EU and the African, Caribbean and Pacific (ACP) countries. Formal negotiations will start by the end of August 2018, as provided by the current agreement, the Cotonou Agreement.

The EU will work towards a substantially revised agreement with a common foundation at ACP level combined with three regional tailored partnerships for Africa, the Caribbean and the Pacific. The future agreement is expected to cover priority areas such as democracy and human rights, economic growth and investment, climate change, poverty eradication, peace and security and migration and mobility.

The ACP group adopted its own negotiating position on 30 May 2018 at the ACP Council of Ministers.

The existing agreement between the EU and the ACP countries, known as the Cotonou Agreement, is set to expire in February 2020. With this in mind, the Commission has put forward a recommendation to open negotiations to update the framework for cooperation with the ACP countries, together with draft negotiating directives, in December 2017.

The Cotonou Agreement was adopted in 2000 to replace the 1975 Lomé Convention. It is the most comprehensive partnership agreement between developing countries and the EU, covering the EU's relations with 79 countries, including 48 countries from Sub-Saharan Africa.

Cotonou agreement, background information

CUSTOMS UNION

World Customs Organization

The Council coordinated the EU positions with a view to the following sessions of the World Customs Organization: the Policy Commission session and the Customs Co-operation Council, which will take place in Brussels on 25-27 June and 28-30 June 2018, respectively.