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Economic and Financial Affairs

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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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ITEMS DEBATED

BANKING UNION - RISK REDUCTION MEASURES - NON-PERFORMING LOANS

The Council reviewed work on:

- a package of measures aimed at reducing risk in the banking industry;
- a proposal for a European deposit insurance scheme (EDIS).

Furthermore, the Commission reported on work to implement the Council's July 2017 action plan on non-performing loans (NPLs) in the banking sector.

Ministers held an exchange of views.

Progress has been achieved on the banking package, and preliminary agreement has been reached on a broad range of issues. A number of political issues are still to be resolved, however, and these are identified in a progress report.

The package sets out to strengthen the EU's rules on capital requirements and on the recovery and resolution of banks in difficulty. Presented in November 2016, it builds on EU banking rules with the aim of reducing risk in the industry. It incorporates into EU law remaining elements of a regulatory framework agreed at international level by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB).

The EDIS proposal is part of plans for strengthening the EU's banking union. Presented in November 2015, the EDIS proposal is aimed at establishing an EU-level insurance scheme to strengthen the protection of bank deposits.

A progress report assesses the outcome of work on the EDIS within a Council working group. It is intended to facilitate further work during 2018.

As regards NPLs, the Commission is preparing a package of measures to implement the Council's July 2017 action plan. The aim is to reduce levels of NPLs and to prevent their build-up in the future.

Non-performing loans are bank loans that are subject to late repayment or are unlikely to be repaid without requiring the sale of collateral.

The Commission plans to approve the measures in spring 2018. The Council is expected to take stock at a meeting on 23 January 2018.

Background

The banking union is aimed at placing Europe's banking industry on a sounder footing, whilst ensuring that unviable banks are resolved without using taxpayers' money. Launched in 2012 to address the bank-sovereign nexus in Europe, it involves a transfer of responsibility to the EU level. It currently comprises the 19 countries of the euro area, and 7 other member states have also indicated their intention to join.

[November 2017 presidency note on EDIS, the banking package and NPLs](#)

[November 2017 progress report on the banking package](#)

[November 2017 progress report on the EDIS proposal](#)

[Press release on 2017 Council action plan on non-performing loans](#)

[2017 report of the FSC subgroup on non-performing loans](#)

TAXATION - NON-COOPERATIVE JURISDICTIONS

The Council adopted conclusions containing an EU list of non-cooperative jurisdictions in taxation matters.

The list is aimed at promoting good governance worldwide, in order to maximise efforts to prevent tax fraud and tax evasion. The initiative is part of the Council's external strategy for taxation, delivering on its November 2016 conclusions that called for a list to be established by the end of 2017.

The Council's work has been conducted in parallel with the OECD and in the context of the G20.

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

STABILITY AND GROWTH PACT - ROMANIA AND THE UNITED KINGDOM

The Council closed an excessive deficit procedure for the United Kingdom and found that Romania has failed to take effective action to correct a significant budgetary deviation.

It issued a revised recommendation to Romania under the ‘significant deviation procedure’.

Abrogating its 2008 decision on the existence of an excessive deficit in the UK, the Council confirmed that the UK has reduced its government deficit to below 3% of GDP, the EU's reference value for government deficits.

As a result, only two of the EU's 28 member states remain subject to excessive deficit procedures. This continues an improvement observed since 2010-11 when, during a 12-month period, procedures were open for 24 member states.

For details:

[Press release on 2017 closure of the excessive deficit procedure for the United Kingdom](#)

[Press release on 2017 decision on insufficient action by Romania to correct a budgetary deviation](#)

ECONOMIC GOVERNANCE - 2018 EUROPEAN SEMESTER

The Council initiated the annual 'European Semester' process for the monitoring of the member states' economic, employment and fiscal policies.

The Commission presented its annual growth survey, highlighting priorities for 2018 in the economic and social fields.

It presented an 'alert mechanism report', which marks the starting point of the annual macroeconomic imbalances procedure. The report calls for in-depth reviews of the macroeconomic situation in Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden. (Greece is not part of the exercise as it is subject to enhanced surveillance under a macroeconomic adjustment programme.)

The Commission also presented a draft Council recommendation on the economic policies of the euro area.

The Council is scheduled to approve the draft recommendation, as well as conclusions on the annual growth survey and the alert mechanism report, at its meeting on 23 January 2018.

The 2018 European Semester will conclude in July with the adoption of country-specific recommendations.

[2018 annual growth survey](#)

[2018 alert mechanism report](#)

[2018 draft recommendation on the economic policies of the euro area](#)

OTHER ITEMS

– *Financial services*

The Council was updated regarding work on legislative proposals on financial services.

November 2017 note on financial services legislative proposals ([14832/17](#))

– *VAT fraud*

The Commission presented a proposal aimed at strengthening administrative cooperation in order to boost the prevention of VAT fraud.

November 2017 proposal on administrative cooperation in the field of VAT ([14893/17](#))

– *European Development Bank*

The European Investment Bank briefed ministers on its plan to create a subsidiary dedicated to development.

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on Monday 4 December.

They elected Mário Centeno, Portuguese minister for finance, as president of the Eurogroup for a two-and-a-half year term as of 13 January 2018.

The Eurogroup discussed the ongoing third review of Greece's macroeconomic adjustment programme, post-programme surveillance in Cyprus and Spain, and the member states' draft budgetary plans for 2018. It also held a thematic discussion on how to further reduce the 'tax wedge' on labour, as a means of enhancing economic growth.

The Eurogroup also held a meeting in an extended format (27 member states), to prepare for the Euro Summit on 15 December. The Euro Summit will discuss the further development of the EU's economic and monetary union and the completion of the EU's banking union.

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation.

The chairman of the European Fiscal Board, a newly created advisory body that assesses implementation of the EU's fiscal rules, presented the board's first-ever annual report.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Taxation of the digital economy

The Council adopted [conclusions](#) on the taxation of profits in the 'digital economy'.

The conclusions will serve both as the EU's contribution to discussions at international level and a reference for further work at EU level. They follow up on the conclusions of the [European Council meeting of 19 October 2017](#).

The conclusions note that the digital economy is challenging the agreed concepts of international tax rules. Current tax rules were designed for the traditional economy and do not apply to activities that do not require physical presence in the country where goods and services are sold.

The text highlights the urgency of agreeing on a policy response at international level, and calls for close cooperation with the OECD and other international partners. It suggests that a concept of 'virtual permanent establishment' be explored, together with amendments to the rules on transfer pricing and profit attribution.

The OECD is currently analysing business models of the digital economy and preparing an interim report to the G20 meeting of finance ministers and central bank governors, scheduled for April 2018.

As concerns action at EU level, the text notes the interest of many member states for temporary measures, for instance an 'equalisation levy' based on revenues from digital activities. The draft calls on the Commission to thoroughly assess these possible measures.

[September 2017 Commission communication on taxation of the digital economy](#)

VAT on electronic commerce

The Council adopted new rules aimed at making it easier for online businesses to comply with VAT obligations.

Part of the EU's 'digital single market' strategy, the proposals are aimed at facilitating the collection of VAT for goods and services bought online, including from third countries.

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

Agreement with Norway on VAT

The Council adopted a decision approving the signing of an agreement with Norway on administrative cooperation, combating fraud and the recovery of claims in the field of VAT ([14703/17](#) + COR 1 + [14382/17](#) + [14390/17](#)).

Excise duties

The Council adopted [conclusions](#) on implementation of directive 2008/118/EC on excise duties, providing guidance to the Commission for a possible forthcoming legislative proposal.

Report on tax issues

The Council approved a six-monthly report to the [European Council](#) on tax issues.

[November 2017 report to the European Council on tax issues](#)

Code of conduct on business taxation

The Council adopted the following conclusions:

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

- welcomes the progress achieved by the Code of Conduct Group during the Estonian Presidency as set out in its report (doc. [14784/17](#) FISC 300 ECOFIN 999);
- asks the Group to continue monitoring standstill and the implementation of the rollback and invites the Group to continue its work under the Work Package 2015;
- takes note of the progress made on the alignment of the patent box regimes with the agreed nexus approach and invites the Group to continue to monitor and report on this process;
- urges the Member State who did not take any action to start amending its patent box regime in order to comply with the modified nexus approach as soon as possible and, in any case, no later than end 2018;
- notes with satisfaction the progress achieved by the Code of Conduct Group in its ongoing work in the context of Council conclusions of 8 November 2016 on the criteria and process leading to the establishment of the EU list of non-cooperative jurisdictions for tax purposes, and asks the Code of Conduct Group to continue this work, as set out in [the Council conclusions of 5 December 2017];
- endorses the 'Guidance on the interpretation of the fourth criterion' annexed to the report by the Code of Conduct Group;
- endorses the Guidelines setting working methods for an effective monitoring of Member States' compliance with agreed guidance, annexed to the report by the Code of Conduct Group, and invites the Code of Conduct group to swiftly implement them;

- reiterates its invitation to the European Commission to investigate the need to revise past EU guidelines on transfer pricing issues in the light of the OECD BEPS report on Actions 8-9-10 and to report to and advise the Code of Conduct Group as appropriate;
- invites the Code of Conduct Group to continue the dialogue on the application of the principles of the Code of Conduct to Liechtenstein, as set out in the report, and to explore the need to promote the adoption of the Code of Conduct principles in other third countries;
- invites the Group to report back to the Council on its work during the Bulgarian Presidency."

FOREIGN AFFAIRS

EU-NATO cooperation

The Council adopted conclusions on implementation of a joint declaration by the president of the European Council, the president of the European Commission and the secretary general of the North Atlantic Treaty Organization.

[Conclusions](#)

AGRICULTURE

Farm statistics

The Council agreed on a general approach on a regulation on integrated farm statistics ([13336/17](#)).

The proposed regulation is aimed at establishing a framework for European agricultural statistics at farm level and providing for the integration of structural information with other information, such as production methods, rural development measures and agro-environmental aspects.

The regulation, scheduled to be in place before the end of 2018, should ensure the continuation of a series of European farm structure surveys, thus enabling a consistent time series, whilst fulfilling new and emerging needs for data at farm level.