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## OUTCOME OF THE COUNCIL MEETING

3572nd Council meeting

### Economic and Financial Affairs

Brussels, 7 November 2017

President      **Toomas Tõniste**  
Minister for Finance of Estonia

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<sup>1</sup>

- 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 ON ELECTRONIC COMMERCE**

The Council discussed proposals for improved VAT rules to help facilitate electronic commerce and online businesses.

A compromise text proposed by the presidency received broad support from ministers, whilst one delegation was not yet able to lift its reservations. The presidency therefore indicated that the Council would revert to the matter in December with a view to reaching an agreement.

The proposals are aimed at facilitating the collection of VAT when consumers buy goods and services online. They are part of the EU's 'digital single market' strategy.

The new rules extend the existing EU-wide portal (mini 'one-stop shop') and establish a new portal for distance sales from third countries. VAT fraud for distance sales is estimated by the Commission at €5 billion per year.

The proposals are expected to reduce the costs of complying with VAT requirements for business-to-consumer transactions. Administrative cooperation would also be strengthened. The new rules require VAT to be paid in the member state of the consumer, ensuring a fairer distribution of tax revenues amongst member states.

Additionally, the texts would make online platforms liable for collecting VAT on the distance sales that they facilitate.

The Council requires unanimity to adopt the package. The European Parliament is expected to give its opinion soon.

## **FINANCIAL SUPERVISION - EUROPEAN SUPERVISORY SYSTEM**

The Commission presented proposals aimed at strengthening financial supervision and encouraging capital market integration in Europe.

Ministers held an exchange of views.

They expressed strong support for the EU's plan to establish a capital markets union by the end of 2019. They judged the European system of financial supervision, operational since 2011, a success; whilst acknowledging that there remains room for improvement.

A variety of views were expressed about the level of ambition of the proposed reforms. Some ministers expressed a preference for targeted and limited amendments, whilst others called for a more ambitious approach.

The presidency indicated that national experts would continue work, starting with targeted adjustments to address shortcomings in the current system. Experts would also consider the challenges that lie ahead.

The reforms set out to enhance regulatory and supervisory convergence so as to enable financial markets to operate more effectively and to better address new challenges. The aim is also to further capital market integration following the United Kingdom's departure from the EU. Changes to supervisory relations with non-EU countries will also ensure better management of all financial sector risks.

The package of proposals amends:

- the mandate, governance and funding of the EU's three financial supervisory authorities (European Banking Authority, European Insurance and Occupational Pensions Authority, European Securities and Markets Authority);
- a number of financial services regulations (on venture capital, social entrepreneurship and long-term investment funds, financial benchmarks, company prospectuses, markets in financial instruments and insurance and reinsurance activities);
- the composition and organisation of the European Systemic Risk Board, which monitors stability risks for the financial system as a whole.

The European Securities and Markets Authority receives extended powers under the proposals, becoming the direct supervisor of certain market sectors. It would have a greater role in coordinating investigations into market abuse. More generally, the reforms support the capital markets union plan.

New governance arrangements include the creation of executive boards for the three European supervisory authorities. Their funding would become independent from national supervisors so as to boost their autonomy.

The proposed regulations and directives require a qualified majority for adoption by the Council, in agreement with the European Parliament. (Legal basis: articles 53(1), 62 and 114 of the Treaty on the Functioning of the European Union.)

[November 2017 issues note on the review of the European system of financial supervision](#)

[2017 proposal for a regulation on the European supervisory authorities](#)

[2017 proposal for a directive on markets in financial instruments and insurance](#)

[2017 proposal for a regulation on the European Systemic Risk Board](#)

## **G20 AND IMF MEETINGS**

The presidency and the Commission reported on international finance meetings held in Washington DC between 12 and 15 October 2017, namely:

- meeting of G20 finance ministers and central bank governors;
- IMF annual meetings.

The G20 meeting featured a discussion on the state of the global economy, a G20 compact with Africa, international financial institutions, financial regulation, taxation issues and the outlook for the forthcoming Argentinian G20 presidency. It was the last G20 ministerial meeting of the German G20 presidency, with Argentina taking over on 1 December 2017.

At a meeting of the international monetary and financial committee, one of the IMF annual meetings, the EU Council presidency delivered a statement on the global economy, prospects and challenges.

## **EU BUDGET - COURT OF AUDITORS REPORT**

The president of the Court of Auditors presented the Court's annual report on management of the EU's general budget.

The report, issued on 28 September 2017, confirms a sustained improvement in the estimated level of error in payments from the EU budget. Covering the budget for 2016, it finds fewer errors across all areas of spending than in the past.

For 2016, the Court upgraded its opinion on payments to "qualified" for the first time since it began to provide an annual statement of assurance in 1994. And as for each year since 2007, it gave a positive opinion regarding the reliability of the accounts.

The Council welcomed the Court's favourable opinion and welcomed the progress made. It expressed the hope that the positive trend will continue, whilst noting that work remains to be done to further reduce the level of error.

On the basis of the report, it will be decided whether to issue a discharge to the Commission for implementation of the 2016 budget. The Council is scheduled to issue a recommendation on 20 February 2018. It will then be for the European Parliament to grant the discharge.

EU budgetary spending totalled €136.4 billion in 2016. For expenditure the Court found an estimated 3.1% overall rate of error, compared with 3.8% for 2015 and 4.4% for 2014. This is not a measure of fraud, inefficiency or waste; it is an estimate of the money that should not have been paid out because it was not used fully in accordance with EU rules.

Managing the EU budget is the responsibility of the Commission, along with other EU institutions and bodies. But for roughly two-thirds of expenditure – principally on agriculture and cohesion policy – that responsibility is shared with the member states.

[Court of Auditors report on implementation of the EU's 2016 budget](#)



## **STATISTICS**

The Council adopted conclusions on an annual package of governance measures for EU statistics.

The conclusions assess progress achieved on priorities related to the production and dissemination of official EU statistics. They provide guidance for further work in this area.

The 2017 conclusions cover, in particular:

- quality assurance of statistical output (notably the revision of the European statistics code of practice);
- progress related to information requirements in the EU's economic and monetary union (improvements in coverage, availability and timeliness of data, progress on methodological work and participation in G20- and IMF-led initiatives);
- 'structural' statistics that are used to support the work of the Council, for instance for the EU's excessive deficit procedure and macroeconomic imbalances procedure.

The conclusions also take note of a number of new initiatives, such as:

- the pilot dissemination of experimental statistics led by Eurostat, the EU's statistical authority;
- Commission efforts related to the methodology underpinning data for the excessive deficit procedure;
- an initiative to enhance, at EU level, available data on financial real estate indicators.

The need to ensure adequate human and financial resources, whilst minimising the burden on respondents, is also cited in the conclusions.

The conclusions are based on various documents contained in the annual package, which is prepared by specialised EU statistical bodies. These include Eurostat, the European statistical governance advisory board and the Economic and Financial Committee's sub-committee on statistics.

The Council has assessed statistical needs and progress in improving official EU statistics every year since 2006.

## **OTHER BUSINESS**

### – *Financial services*

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

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

### – *Insolvency*

The Commission explained the potential impact of a proposal on insolvency with regard to measures to address non-performing loans in the banking sector. It explained how the proposal interacts with other strands of work in relation to insolvency.

The November 2016 proposal is aimed at enabling companies in financial difficulty to restructure early on in order to prevent bankruptcy and avoid laying off staff. It sets out to ensure that entrepreneurs get a second chance after a bankruptcy, and to provide more effective insolvency procedures in the member states.

The Justice and Home Affairs Council is responsible for work on the proposal.

[2016 proposal for a directive on restructuring and insolvency](#)

### – *Non-cooperative jurisdictions in taxation matters*

The presidency updated the Council regarding ongoing work to establish an EU list of non-cooperative jurisdictions in taxation matters, in line with the Council's conclusions of November 2016.

[November 2016 conclusions on the establishment of a list of non-cooperative jurisdictions](#)

## **MEETINGS IN THE MARGINS OF THE COUNCIL**

### ***– Macroeconomic dialogue with the social partners***

A dialogue on macroeconomic issues was held on 6 November 2017 between representatives of the EU institutions and the social partners: employers, trade unions, public enterprises and SMEs at EU level.

Discussion focused on the macroeconomic outlook and the further development of the EU's economic and monetary union.

### ***– Eurogroup***

Ministers of the eurozone member states attended a meeting of the Eurogroup on 6 November 2017. They discussed the eurozone aspects of the EU's banking union and public investment in human capital.

The Eurogroup then met in an 'inclusive format' (27 member states) to prepare for the Euro Summit in December 2017. It discussed completion of the banking union and fiscal governance in the euro area.

### [Eurogroup main results](#)

### ***– Meeting with EFTA finance ministers***

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

They discussed how to make economic growth inclusive.

### ***– Ministerial breakfast***

Ministers held a breakfast meeting to discuss the economic situation. They also discussed a Commission review of the EU's single supervisory system for banks, and a common EU candidate for the position of secretary general of the World Customs Organization.

## **OTHER ITEMS APPROVED**

### **ECONOMIC AND FINANCIAL AFFAIRS**

#### **Bank resolution - Single resolution board**

The Council decided not to object to a Commission regulation on contributions to administrative expenditures of the single resolution board, under the EU's single resolution mechanism for failing banks ([13328/17](#) + [12266/17](#)).

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

#### **Climate change**

The Council amended its 10 October 2017 conclusions on climate change, specifying the €20.2 billion contribution made by the EU and its member states in 2016 to help developing countries reduce their greenhouse gas emissions and cope with the impact of climate change ([13101/17](#) + [ADD 1](#)).

[Press release on 2016 EU and member state financial contributions to climate finance](#)

#### **VAT derogation - Romania - Motor vehicles**

The Council adopted a decision allowing Romania to continue restricting to 50% the right to deduct VAT on expenditure connected with motor vehicles ([13373/17](#) + [12967/17](#)).

The measure derogates from the EU's directive on VAT (directive 2006/112/EC).

#### **VAT derogation - Netherlands - Fraud - Telecoms services**

The Council adopted a decision allowing the Netherlands to apply a reversal of VAT liability ('reverse charge mechanism') to domestic telecommunication services in order to prevent fraud ([13374/17](#) + [12968/17](#)).

The measure derogates from the EU's directive on VAT (directive 2006/112/EC).

## **BUDGETS**

### **European globalisation adjustment fund - Italy**

The Council adopted a decision mobilising €3.35 million under the European globalisation adjustment fund in connection with 1646 redundancies in the business support sector in Italy ([13276/17](#)).

It agreed to the corresponding transfer of appropriations under the EU's general budget for 2017.

## **JUSTICE AND HOME AFFAIRS**

### **European Public Prosecutor's Office - joint statement**

The Council approved a joint statement on the European Public Prosecutor's Office (EPPO) regarding financing ([13380/17](#)).

## **CUSTOMS UNION**

### **Information technology systems**

The Council adopted conclusions on the way forward to developing customs IT systems ([13543/17](#)).

In the conclusions, the Council invites the Commission and the EU member states:

- to implement the Union Customs Code IT work programme as a top priority
- to explore new approaches to develop and operate future customs IT systems in cooperation with the relevant stakeholders
- to carry out cost-benefit analyses of new approaches towards future customs IT systems and their impact on authorities, trade and businesses

Among other things, the conclusions state that today's society requires speed and response capabilities of customs services, which calls for a timely implementation of the customs legislation and related IT systems.

**EUROPEAN ECONOMIC AREA**

**48th meeting of the EEA Council**

The Council established the EU's common position for the 48th meeting of the European Economic Area Council to take place in Brussels on 14 November 2017.

**TRANSPORT**

**International Civil Aviation Organisation (ICAO) – EU positions**

The Council approved a Commission information note containing recommended EU positions for the next meeting of the ICAO Council on 30 October to 17 November 2017.

The information note can consequently be used as the basis for interventions by the representatives of the EU countries which are members of the ICAO Council. It recommends positions on items of EU interest in the areas of economic development of air transport, aviation security and facilitation, as well as environmental protection.

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