Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 2 December 2016

ECONOMIC and FINANCIAL AFFAIRS COUNCIL
Tuesday 6 December in Brussels

*The Council will discuss two elements of the Commission's '**investment plan for Europe'**. It is expected to agree its stance on the proposed extension of the European fund for strategic investments, and to adopt conclusions on tackling bottlenecks to investment.*

*The Council is expected to adopt a directive on access to information on the **beneficial ownership** of companies. It will be called on to agree on a proposal addressing **hybrid mismatches** between tax systems, and will take stock of progress on a proposed **financial transaction tax**.*

*The Council will take stock of work on strengthening the EU's banking union, specifically the proposed **European deposit insurance scheme**. The Commission will present new proposals on **bank capital requirements**.*

***Terrorist financing**, the 2017 **European Semester** and the follow-up to the 'five presidents' report' on **economic and monetary union** are amongst other items on the provisional agenda.*

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*The **Eurogroup** will hold two meetings on Monday 5 December. The first, starting at 10.30, will be a specific meeting to assess eurozone member states' draft budgetary plans for 2017. At the second, scheduled for 15.00, ministers will discuss the second review of Greece's current economic adjustment programme.*

*On Tuesday at 9.00, ministers will hold a breakfast meeting to discuss the **economic situation**.*

The Council is due to start at 10.00.

Press conferences:

- after the first Eurogroup meeting *(Monday lunchtime)*;
- after the second Eurogroup meeting *(Monday evening)*;
- at the end of the Council *(Tuesday afternoon).*

Eurogroup agenda highlights

Press conferences and public events by video streaming

Video coverage in broadcast quality (MPEG4) and photo gallery

1 This note has been drawn up under the responsibility of the press office.

Press office - General Secretariat of the Council
Rue de la Loi 175 - B-1048 BRUSSELS - Tel.: +32 (0)2 281 6319
press.office@consilium.europa.eu - www.consilium.europa.eu/press

Investment plan for Europe

The Council will review two aspects of the Commission's 2014 'investment plan for Europe'.

It is expected to:

- agree its stance on a proposal to extend the lifespan of the European fund for strategic investment (EFSI) beyond its initial three-year period;
- adopt conclusions on addressing investment bottlenecks.

The Commission proposes to extend the EFSI in terms of both duration and financial capacity, mobilising at least half a trillion euros of investments by 2020. The proposal also introduces a number of operational improvements to take account of lessons learned from the first year of implementation.

Agreement within the Council will enable talks to start with the European Parliament, once the Parliament has agreed its negotiating stance.

In October 2016, the European Council called on the Council to agree its stance on 6 December.

<u>European fund for strategic investments</u>

The Commission considers that the EFSI is achieving its objectives and that maintaining a scheme to support investments is warranted. It notes that three evaluations of the EFSI, including an external, independent evaluation, concur on its success so far and on the need to reinforce the initiative.

Since the investment plan for Europe was launched, the conditions for an uptake in investment have improved. The Commission notes that confidence in the EU economy is returning and the investment plan is already delivering results.

Established in mid-2015, the EFSI is on track for attaining its €315 billion target in additional investments by mid-2018. For SMEs, it is delivering well beyond expectations. Projects approved by November 2016 are expected to mobilise €154 billion in total investments, covering 27 member states, and to support over 376 000 SMEs.

The Commission considers that efforts should be continued to bring investment back to a sustainable trend. Private investment should be attracted to the maximum extent possible.

It proposes to:

- extend the lifespan of the EFSI until 2020;
- increase the investment target to €500 billion;
- increase the EU budget guarantee to €26 billion (of which €16 billion would be available for guarantee calls until mid-2018);
- increase the contribution from the European Investment Bank to €7.5 billion (currently €5 billion).

The draft regulation also includes technical enhancements in the light of lessons learned from the first year of implementation. These relate in particular to geographic coverage, additional sectors to be covered, strengthened climate-related actions, the additional nature of investments, and transparency. They also relate to the 'European investment advisory hub', which provides support in the identification, preparation and development of projects across the EU.

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 operates within the EIB, under an agreement between the EIB and the Commission. Any project supported by the EFSI must be approved by the EIB.

The fund is aimed at encouraging private investor participation in a broad range of new investment projects. To do this, it takes on part of the project risk through a first-loss liability. Currently building on €16 billion in guarantees from the EU budget and €5 billion from the EIB, the aim is to achieve a multiplier effect of 1:15.

Projects currently cover transport, energy and broadband infrastructure, education, health, research and risk finance for SMEs. The EFSI targets socially and economically viable projects without any sector-specific or regional pre-allocation.

The fund has a two-tier governance structure:

- a steering board, composed of members from Commission and EIB, which sets the overall strategy, investment policy and risk profile of the fund;
- an investment committee, composed of 8 independent experts and a managing director, which selects projects for EFSI support.

  - November 2016 draft regulation extending the European fund for strategic investments
  - November 2016 draft annex to regulation extending the EFSI

Investment bottlenecks

Progress on removing barriers to investment has been more elusive than on the other aspects of the investment plan.

It is closely linked to the EU's plan to develop a capital markets union by the end of 2019.

The Economic Policy Committee has held thematic discussions, and the member states are responsible for following up information that is gathered.

The Council conclusions are expected to address a number of bottlenecks identified by the EPC. They call for action at both EU and member state levels, and ask the EPC to undertake further work, drawing on the experience of the European Investment Bank.

In particular, the Council will call on the Commission to take account of investment bottlenecks in its recommendations under the European Semester, the EU's annual policy monitoring process. It will call on the member states to fully implement the investment-related aspects of the 2016 country-specific recommendations.

The EPC's discussions have covered seven themes:

- public investment in transport infrastructure;
- insolvency frameworks;
- best practices with public-private partnerships;
- investment in network industries;
- price regulations and environmentally harmful subsidies on energy markets;
- residential investment in energy efficiency and renewable energies;
- investment in digital services.

Corporate taxation - Hybrid mismatches

The Council will be called on to agree on a draft directive aimed at closing down 'hybrid mismatches' with the tax systems of third countries.

Several member states still have reservations. The main outstanding issue concerns rules that would allow member states to apply limited exemptions.

The draft directive seeks to prevent corporate taxpayers from exploiting disparities between two or more tax jurisdictions in order to reduce their overall tax liability. Such arrangements are widespread and result in a substantial erosion of the taxable bases of corporate taxpayers in the EU.

The proposal addresses hybrid mismatches with regard to non-EU countries, given that intra-EU disparities are covered by a directive adopted in July 2016 ('anti-tax-avoidance directive'). It amends that directive accordingly, setting the same deadlines for implementation. When the Council adopted the first directive, it set a deadline for agreeing rules on hybrid mismatches with third countries by the end of 2016.

The proposal also draws upon the OECD's 2015 recommendations addressing corporate base erosion and profit shifting. It is part of a package of corporate taxation proposals presented by the Commission in October 2016.

The directive will be adopted once the European Parliament has given its opinion. The member states will have until 31 December 2018 to transpose it into national laws and regulations.

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

Financial transaction tax

The Council will take note of progress on a proposal aimed at introducing a financial transaction tax (FTT) in 10 member states.

It will hold an exchange of views.

Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain are planning to introduce an FTT by 'enhanced cooperation', an EU procedure that enables a group of member states to cooperate without the others being involved.

The proposal is aimed at:

- ensuring that the financial sector pays its fair share of tax;
- discouraging transactions that do not enhance the efficiency of financial markets.

The proposed directive would enable harmonised implementation of the tax in the participating member states.

No overall agreement is yet within reach and – despite progress – a number of issues remain unresolved.

At a participants' meeting in October 2016, an agreement in principle was reached on some of the main elements of the tax. Work has also been undertaken on possible models for collection of the tax. However, the October agreement has yet to be transposed into a legal text, which may take several months because of the complex technical nature of the issues at hand. Further discussion will be necessary at both political and technical level.

In the light of this, the Council's discussion will enable the participating member states to indicate progress and the further steps they intend to take. Ministers of non-participating member states may also express their views.

Enhanced cooperation on an FTT was authorised in January 2013 by Council decision 2013/52/EU after a September 2011 proposal for an EU-wide FTT had failed to obtain unanimous support.

It was initially authorised for 11 member states, but Estonia withdrew in March 2016.

In May 2014, the participants agreed to work on a progressive implementation of the FTT, focusing initially on the taxation of shares and some derivatives. This would enable the economic impact of the tax to be assessed before broadening its scope. In December 2015, they agreed a statement identifying the main features of the FTT and setting a June 2016 deadline for deciding on open issues. That deadline was missed.

The directive requires unanimous agreement of the participating countries, after consulting the European Parliament. All member states can participate in discussions on the proposal, though only participating countries can vote. (Legal basis: article 113 and articles 326 to 334 of the Treaty on the Functioning of the European Union.)

At least 9 member states are needed to conduct enhanced cooperation.

- October 2016 presidency note on the state of play on the FTT
- Proposal for a Council directive on enhanced cooperation on FTT
- Press release on Council decision to authorise enhanced cooperation on FTT

Strengthening of banking union

The Council will review work on strengthening the EU's banking union.

The presidency will report on work on a proposed European deposit insurance scheme (EDIS), and the Commission will present proposals for strengthening the resilience of EU banks.

The Council may hold an exchange of views.

The banking union is aimed at placing Europe’s banking industry on a sounder footing, whilst ensuring that unviable banks are resolved without recourse to taxpayers’ money. Launched in 2012 to address the bank-sovereign nexus in Europe, it is part of a longer-term plan for financial integration. Involving a transfer of responsibility to the EU level, it currently comprises the 19 countries of the euro area, whilst 7 other member states have also indicated their intention to join.

An ad hoc Council working group was established in January 2016 to examine all issues related to the strengthening of the banking union. These include the proposal on EDIS and measures outlined in the Commission's November 2015 communication on completion of the banking union.

In June 2016 the Council adopted conclusions setting out priorities and milestones for work on the banking union. As concerns the EDIS proposal, it stated that negotiations at political level would start as soon as sufficient progress has been made on measures to reduce risks in the financial sector.

Work on EDIS has meanwhile continued at technical level, as agreed by the Council. The ad hoc working group has met a further six times.

The June 2016 conclusions also set out suggested elements for further legislative proposals for the banking sector.

- June 2017 Council conclusions on a roadmap to complete the banking union
- Commission November 2015 communication on completion of the banking union

European deposit insurance scheme

The proposal sets out to establish an EU-level insurance scheme to reinforce the protection of bank deposits in the member states. It was issued by the Commission in November 2015.

Deposit guarantee schemes (DGSs) provide protection to depositors against the risk of losses arising from a bank failure. The Commission considers that a common deposit insurance would boost resilience against future crises, given that national DGSs remain vulnerable to local shocks.

The EDIS is intended as a third 'pillar' of Europe’s banking union, alongside the single supervisory mechanism (SSM) and single resolution mechanism (SRM). It would be mandatory for eurozone countries, whereas participation would be voluntary for other member states participating in the banking union. Under the Commission's proposal the EDIS would apply to all banks, though riskier banks would contribute more.

It would be established in three stages:

- a reinsurance scheme for national DGSs during an initial period of three years;
- a co-insurance scheme for national DGSs during a subsequent period of four years;
- a full insurance for national DGSs once the scheme has reached a steady state.

A national DGS would be eligible for the European deposit insurance scheme if its funds are built up in line with a precise funding path. The EU's single resolution board, established under the SRM, would be expanded to administer the EDIS.

The proposed regulation requires 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.)

- November 2016 progress report on strengthening the banking union
- Proposal for a regulation on a European deposit insurance scheme

Commission banking proposals

The proposals build on EU banking rules with the aim of making sure that any outstanding challenges to financial stability are correctly addressed.

They contribute to work on reducing risk in the banking sector, as outlined in the Commission's November 2015 communication on completion of the banking union.

Issued by the Commission on 23 November 2016, the proposals cover:

- bank capital requirements (amendments to directive 2013/36/EU and regulation 575/2013 on the activities and supervision of banking institutions);
- the recovery and resolution of unviable banks (amendments to directive 2014/59/EU as concerns bank recovery and resolution);
- insolvency proceedings (amendments to directive 2014/59/EU as concerns the ranking of debt instruments in insolvency proceedings);
- the EU's single resolution mechanism (amendments to regulation 806/14).

They incorporate remaining elements of the regulatory framework agreed by the Basel Committee on Banking Supervision and the Financial Stability Board.

The proposals include more risk-sensitive capital requirements, and methodologies to better reflect the actual risks to which banks are exposed. They also include a binding leverage ratio to prevent excessive leverage, and a binding net stable funding ratio. Global systemically important institutions would have to hold minimum levels of capital and other instruments that bear losses in the event of resolution.

To better support the EU economy, measures are proposed to enhance banks' ability to lend to SMEs and to fund infrastructure projects. And for smaller and less complex banks, the proposals set out to make remuneration rules and prudential requirements less burdensome.

The proposals also feed into the EU's plan to develop a fully functioning capital markets union by the end of 2019. Specific measures are envisaged to facilitate the role of banks in the capital markets union.

- Press release on the Commission's November 2016 banking proposals
- Basel Committee on Banking Supervision
- Financial Stability Board

Implementation of banking union

The Council will briefly take stock of implementation of the EU's banking union, as part of a regular review carried out since mid-2015.

Member states' transposition of agreed rules into national laws and regulations is almost complete. Work is continuing meanwhile on the strengthening of the banking union (see previous item).

The banking union is aimed at placing Europe’s banking industry on a sounder footing, whilst ensuring that non-viable banks are resolved without recourse to taxpayers’ money. Launched in 2012 to address the bank-sovereign nexus in Europe, it is part of a longer-term plan for financial integration. Involving a transfer of responsibility to the EU level, it currently comprises the 19 countries of the euro area whilst 7 other member states have also indicated their intention to join.

The banking union currently consists of two main initiatives:

- the single supervisory mechanism (SSM), an EU-level supervision of banks exercised by the European Central Bank in close cooperation with national supervisory authorities;
- the single resolution mechanism (SRM), a system for the resolution of unviable banks comprising a central resolution authority and a single resolution fund (SRF).

These are based on a regulatory framework, the 'single rulebook', which applies to all 28 member states.

The SRM became operational and the SRF entered into force on 1 January 2016.

As of 28 November 2016:

- 20 member states, including all 19 current members of the banking union, had ratified an intergovernmental agreement (IGA) on the SRF;
- the transfer to the SRF of 2015 bank contributions was complete, in line with the IGA;
- 15 of the 19 banking union member states had signed a loan facility agreement on bridge financing for the SRF;
- as regards the single rulebook, all 28 member states had fully transposed the directive on bank recovery and resolution and 27 had fully transposed the directive on bank deposit guarantee schemes.

  - Banking union

Economic and monetary union - Five presidents' report

The Commission will report on the follow-up to a June 2015 report on completing the EU's economic and monetary union (EMU).

It will in particular highlight next steps.

The report outlined a 'roadmap' for further developing the EMU, to ensure a smooth functioning of the currency union and its resilience against economic shocks. It was commissioned by the Euro Summit after the economic and financial crisis exposed uncovered shortcomings in the EU's economic governance framework.

Referred to as the 'five presidents’ report', it was prepared by the president of the Commission in cooperation with the presidents of the European Council, the Eurogroup, the European Central Bank and the European Parliament.

In October 2015, the Commission presented a package of measures to implement the report. It announced a white paper for spring 2017 outlining next steps.

The Council held a first discussion in November 2015.

- Commission October 2015 press release on completing economic and monetary union
- Five presidents’ report on completing Europe's economic and monetary union

Economic governance - 2017 European Semester

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

The Commission will present three documents:

- the annual growth survey, highlighting the main conclusions for 2017;
- an "alert mechanism report", marking the starting point of the annual macroeconomic imbalances procedure;
- a draft Council recommendation on the economic policies of the euro area.

The Council will hold an exchange of views.

It is expected to approve the eurozone recommendation and conclusions on the other two reports at a meeting on 27 January 2017.

The 2017 European Semester will conclude in July 2017 with the adoption of country-specific recommendations.

All three documents were published by the Commission on 16 November 2016, as well as a communication "Towards a positive fiscal stance for the euro area".

Annual growth survey

The Commission's survey is the starting point of the 2017 European Semester. It outlines the most pressing priorities on which the EU and the member states should focus in the economic and social field.

For 2017, the Commission proposes to focus efforts on the three following priorities:

- boosting investment;
- pursuing structural reforms;
- responsible fiscal policies.

The report emphasises the need to strengthen economic recovery and invest strongly in young people and jobseekers, as well as start-ups and SMEs. It highlights the need for a recovery that benefits all, notably the weaker sections of society, and strengthens fairness and the social dimension of the single market. It identifies a number of ways in which to create more jobs, economic growth and investment.

A number of positive developments have highlighted the resilience of the European economy, despite a broader uncertainty worldwide. All member states are experiencing growth, investment has started to pick up and 8 million new jobs have been created since 2013. The employment rate has increased and, if current trends continue, the 75% employment rate target set under the EU's Europe 2020 economic strategy could be reached. A rise in activity rates despite the crisis is further testimony of structural improvements to labour markets. The average general government deficit level, which was over 6% of GDP during the crisis years, is now below 2% of GDP and set to decline further. Government debt levels have stabilised and are expected to decrease.

The Commission emphasises however that there is no scope for complacency as the recovery remains fragile. Growth, employment and investment are held back by the legacy of the crisis, as well as by structural deficiencies dating back to the pre-crisis years. Joblessness remains far too high in many parts of Europe, and the protracted spell of high unemployment is taking its toll on many member states. GDP and productivity growth rates remain below full potential and investment levels below pre-crisis levels. There are still significant imbalances and broader risks within both the euro area and the EU, with convergence stalled in many cases.

In addition, globalisation and demographic and technological developments are important sources of change. The Commission emphasises the need for these to benefit all.

- 2017 annual growth survey

Alert mechanism report

The Commission's report identifies 13 member states that may currently have a macroeconomic imbalance. For these, in-depth reviews will be undertaken.

They are the same 13 countries identified as having imbalances in in-depth reviews carried out under the previous European Semester: Bulgaria, Croatia, Cyprus, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden.

They do not include Greece, which is subject to enhanced surveillance under its macroeconomic adjustment programme.

Macroeconomic imbalances risk hindering the smooth functioning of both the European economy and the EU's monetary union. They were amongst factors that contributed to the sovereign debt crisis in the euro area.

The macroeconomic imbalances procedure was introduced in 2011 as an annual process aimed at preventing and correcting such imbalances. Euro area countries can be fined under the procedure if they repeatedly fail to comply with the Council's recommendations.

To identify imbalances, the Commission applies the following "scoreboard" of economic indicators:

- External imbalances and competitiveness: current account balance; net international investment position; real effective exchange rates; export market shares; nominal unit labour costs.
- Internal imbalances: house prices; private sector credit flow; private sector debt; general government sector debt; unemployment rate; total financial sector liabilities.
- Employment indicators: activity rate; long-term unemployment rate; youth unemployment rate.

  - 2017 alert mechanism report

Recommendation on the economic policies of the euro area

This annual recommendation is a key part of the European Semester policy monitoring process.

In its draft, the Commission makes the case for a more positive fiscal stance than in previous years. It proposes a fiscal expansion of up to 0.5% of GDP for the euro area as a whole for 2017. Member states that still need to do so should continue progress towards their medium-term budgetary objectives, whilst those with fiscal space should be encouraged to pursue a more expansionary fiscal policy.

The Commission highlights that, despite progress in recent years, economic recovery is not accelerating and there is significant unused capacity in labour and capital.

It notes that the effectiveness of fiscal policy in supporting the recovery is greatly helped by the current low interest rate environment. And policy initiatives such as the 'investment plan for Europe' (see separate item above) can enhance the effect of public spending.

In the absence of a central budget or fiscal stabilisation function, eurozone fiscal policy operates as the aggregation of the fiscal policies of its 19 member states. For the purposes of the annual recommendation, the euro area is therefore considered as a single entity.

Apart from fiscal policy, the draft recommendation also covers competitiveness and productivity, labour market and social issues, banking and the further development of EU economic and monetary union.

For the second year running, the Commission presented the draft recommendation at an early stage in the European Semester. The aim is to place greater focus on eurozone priorities when country-specific recommendations will be prepared in the spring.

- 2017 draft recommendation on the economic policies of the euro
- 2017 Commission communication "Towards a positive fiscal stance for the euro area"

Terrorist financing

The Commission will report on implementation of various initiatives set out in its action plan on the prevention of terrorist financing.

The Council will hold an exchange of views.

Although the Commission has completed work on numerous initiatives listed in the plan, a number of actions have been delayed.

The action plan was launched in February 2016 in response to a spate of terrorist attacks in Europe. It proposed 20 actions in various areas, most of which are to be completed by the end of 2016.

The plan was built on existing EU rules and practices, in line with international standards, adapting them to new threats. In responding to the need for increased security, it set out to also ensure the protection of economic freedoms and citizens' rights.

Work has also proceeded meanwhile at the UN and in a number of other international bodies.

The plan complemented the Commission's April 2015 "European agenda on security" and other recent measures, including a proposal for a directive on terrorism.

In February 2016 conclusions, the Council asked the Commission to report on progress at least every 6 months.

- Factsheet on the February 2016 action plan on the prevention of terrorist financing
- February 2016 Commission action plan for strengthening the fight against terrorist financing
- February 2016 Council conclusions on the fight against the financing of terrorism

Customs

The presidency will report on strategic issues in the area of customs.

The report will focus on new challenges for customs authorities in the field of safety, security and risk management, in particular with regard to terrorist threats.

These challenges add to the more traditional tasks such as duty collection, protection of the internal market and trade facilitation, and need to be examined in a dedicated forum.

They have led to the creation of a 'high level working party of directors general of customs', established by the Permanent Representatives Committee on 30 November 2016.

The presidency will also highlight an informal agreement on a procedure for the nomination of a single EU candidate for senior positions within the World Customs Union.

Fiscal rules - Predictability and transparency

The Council is expected to endorse an agreement on improving the predictability and transparency of the EU's fiscal rulebook, the Stability and Growth Pact.

On 29 November 2016, the Economic and Financial Committee reached agreement on how to simplify the assessment of compliance with the pact's rules. The agreement covers both the preventive and corrective arms of the pact as relates to the assessment of member states' fiscal policies and outcomes. No change to legislation underlying the pact is envisaged.

Stronger focus on an expenditure-based indicator is envisaged for setting and assessing fiscal policies, reducing complexity in the fiscal surveillance framework.

The indicator involves setting an upper limit for the growth rate of government expenditure. It is considered an operational and easy-to-measure target that can guide the member states in the preparation and monitoring of their budgets. The structural balance indicator will remain an essential part of the fiscal surveillance framework.

The Stability and Growth Pact is based on articles 121 and 126 of the Treaty on the Functioning of the European Union and a treaty protocol on the excessive deficit procedure. Its rules were initially developed by a resolution and two regulations adopted by the Council in 1997.

Tax transparency - Beneficial ownership

The Council is expected to adopt, without discussion, a directive granting access for tax authorities to information held by authorities responsible for the prevention of money laundering.

This follows an agreement reached at the Council's meeting on 8 November 2016.

Media leaks such as the Panama Papers, revealing large-scale concealment of offshore funds, have highlighted areas where further measures need to be taken to enhance tax transparency.

The directive will enable tax authorities to access information on the beneficial ownership of companies. It will apply as from 1 January 2018.

It requires unanimity for adoption by the Council, after consulting the European Parliament. (Legal basis: articles 113 and 115 of the Treaty on the Functioning of the European Union.)

The Parliament gave its opinion on 22 November 2016.

- December 2016 draft directive on access to beneficial ownership information
- Press release on November 2016 Council agreement on beneficial ownership information

Corporate tax reform

The Council is expected to adopt, without discussion, conclusions setting out how it intends to respond to a October 2016 Commission communication on corporate taxation.

The communication, on "building a fair, competitive and stable corporate tax system for the EU", accompanied a package of proposals aimed at reforming the manner in which companies are taxed.

The Council will endorse the two-step approach proposed by the Commission for a common corporate tax base proposal (CCTB) and the consolidation of taxable corporate income (CCCTB). It will support the view that tax consolidation should be considered without delay once discussion on the elements of a common tax base has been concluded.

To enhance tax certainty for businesses, the Council is expected to acknowledge the need to review mechanisms for resolving double taxation disputes.

The other element of the package concerns 'hybrid mismatches' (disparities) with the tax systems of third countries. The Council is expected to reach an agreement on this proposal, pending the European Parliament's opinion, (see separate item above).

- November 2016 draft conclusions on corporate tax reform
- October 2016 corporate tax reform proposals

Economic partnership programme - Portugal

The Council is expected to issue, without discussion, an opinion on an 'economic partnership programme' presented by Portugal.

The programme describes policy measures and structural reforms to ensure an effective and lasting correction of the country's excessive deficit. It is a requirement for eurozone member states when either entering or undertaking a new step in an excessive deficit procedure.

Portugal submitted an economic partnership programme after the Council stepped up the procedure in August 2016.

The opinion requires a qualified majority amongst 17 of the 18 eurozone member states for adoption by the Council. The member state concerned does not vote. (Legal basis: article 126,7 of the Treaty on the Functioning of the European Union and article 9,4 of regulation 473/2013.).

In August 2016, the Council called on Portugal to reduce its general government deficit to 2.5% of GDP in 2016. It called for consolidation measures amounting to 0.25% of GDP this year. All windfall gains should be used to accelerate deficit and debt reduction, and Portugal should be ready to adopt further measures should budgetary risks materialise.

In a communication issued on 16 November 2016, in the light of measures taken by Portugal, the Commission proposed to hold the excessive deficit procedure in abeyance.

- August 2016 press release on the excessive deficit procedures for Portugal and Spain

Other items

The Council will discuss the following issues under "other business":

- **financial services**: the Council will be updated as concerns work on legislative proposals;
- **money laundering**: the presidency will provide an update as concerns work on a directive to strengthen measures to prevent money laundering and terrorist financing;
- **capital markets union**: the Commission will update the Council on implementation of the EU's plan to develop a fully functioning capital markets union by the end of 2019;
- **VAT on digital services**: the Commission will present a package of proposals.

- November 2016 secretariat note on progress on financial services legislative dossiers (14897/16)

Without discussion, the Council is expected to:

- adopt a directive on access by tax authorities to information on the **beneficial ownership** of companies (see separate item above);
- adopt conclusions setting out how will respond to October 2016 Commission proposals on **corporate tax reform** (see separate item above);
- issue an opinion on an 'economic partnership programme' presented by **Portugal** (see separate item above);
- adopt conclusions and a six-monthly report on implementation of a code of conduct aimed at eliminating situations of **harmful tax competition**;
- adopt conclusions on an evaluation of directive 92/83/EEC on the structures of excise duties on alcohol and **alcoholic beverages**;
- approve a six-monthly report to the European Council on **tax issues**.