Council of the European Union

PRESS

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BACKGROUND[1]

Brussels, 4 December 2015

ECONOMIC and FINANCIAL AFFAIRS COUNCIL

Tuesday 8 December in Brussels

The Council is expected to adopt a directive on ***cross-border tax rulings****, and to approve the conclusion of taxation agreements with* ***Liechtenstein*** *and* ***Switzerland****. A third agreement, with* ***San Marino****, is scheduled for signature after the meeting (Tuesday 8 December at 16.30).*

The Council will be called on to adopt conclusions on the future of a code of conduct on ***business taxation*** *and on tax* ***base erosion and profit shifting****. It will take note of progress on international aspects of a proposed common consolidated* ***corporate tax base****.*

It is due to endorse agreements on flexibility in the EU's ***Stability and Growth Pact****, as well as on* ***securitisation****, as part of broader plans for a capital markets union.*

The Council will also discuss ***terrorist financing****, as well as* ***banking union****, including a proposed European* ***deposit insurance scheme****.*

A proposed ***financial transaction tax*** *and the 2016* ***European Semester*** *are amongst other items on the agenda.*

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The ***Eurogroup*** *will meet on Monday 7 December at 15.00. It will be updated on the work of the EU's single supervisory mechanism (SSM) for banks, and will discuss implementation of Greece's economic adjustment programme. It will discuss post-programme surveillance in Ireland and will hold a thematic discussion on the member states' pension systems.*

On Tuesday 8 December at 9.00, ministers will hold a breakfast meeting to discuss the economic situation. At 9.45, they will hold an informal session to approve a statement on bridge financing for the EU's single resolution fund. The Council meeting is scheduled to start at 10.15.

Press conferences:

- after the 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.

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Cross-border tax rulings

The Council is expected to adopt, without discussion, an amendment to a directive on administrative cooperation in the field of taxation concerning the exchange of information on advance tax rulings.

The directive is intended to provide member states with an overview of such rulings where there are cross-border implications. It will require them to exchange information automatically on both advance cross-border tax rulings and advance pricing arrangements.

Agreement was reached at the Council's meeting on 6 October 2015. The European Parliament has meanwhile given its opinion.

The directive is one of several initiatives aimed at preventing corporate tax avoidance. The Commission proposed it in March 2015 as part of a tax transparency package.

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

- October 2015 press release on-cross-border tax rulings

Taxation agreements – Liechtenstein, San Marino and Switzerland

The Council is expected to approve, without discussion, three agreements that will allow tax administrations improved cross-border access to information on private savers.

It will approve:

- the conclusion of an agreement with Liechtenstein;
- the conclusion of an agreement with Switzerland;
- the signature of an agreement with San Marino.

All three agreements relate to the automatic exchange of financial account information. They have been negotiated in parallel to efforts to improve international tax compliance, and thereby to prevent tax fraud and tax evasion.

They upgrade agreements from 2004 that ensured that the three countries applied measures equivalent to an EU directive on the taxation of savings income. That directive (2003/48/EC) has since been repealed to eliminate an overlap with directive 2014/107/EU, which includes strengthened provisions to prevent tax evasion.

The agreement with Switzerland was signed in May 2015, and the agreement with Liechtenstein in October 2015.

- Press release on the signing of the 2015 EU-Switzerland taxation agreement
- Press release on the signing of the 2015 EU-Liechtenstein taxation agreement
- Press release on the repeal of the directive on the taxation of savings income

Capital markets union - Securitisation

The Council is expected to confirm, without discussion, an agreement on proposals aimed at facilitating the development of a securitisation market in Europe.

On 2 December 2015, the Permanent Representiatives Committee (Coreper) approved, on behalf of the Council, a negotiating stance on the two draft regulations. This will enable talks to start with the European Parliament, once it has defined its own stance.

A framework for securitisation is the first major building block of the EU's plan, launched during 2015, to develop a fully functioning capital markets union by the end of 2019. Developing a securitisation market will help create new investment possibilities and provide an additional source of finance, particularly for SMEs and start-ups.

The regulations require 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.)

- Press release on December 2015 Coreper agreement on securitisation

Financial transaction tax

The Council will take stock of work, in the light of a note from the presidency, on a proposal aimed at introducing a financial transaction tax (FTT) in 11 member states.

It may hold an exchange of views.

The 11 participants – Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain – envisage introducing an FTT in the framework of "enhanced cooperation".

The tax would be aimed at ensuring that the financial sector makes a fair contribution to costs incurred during the financial crisis. It is also intended to discourage transactions that do not enhance the efficiency of financial markets.

Enhanced cooperation for an FTT was authorised in January 2013 by Council decision 2013/52/EU after September 2011 proposal for an EU-wide FTT had failed to obtain unanimous support. The decision was adopted by a qualified majority vote; the Czech Republic, Luxembourg, Malta and the United Kingdom abstained.

The proposed directive defines how the FTT would be implemented in the 11 member states. Tabled in February 2013, it mirrors the scope and objectives of the Commission's initial proposal for an EU-wide FTT. It involves a minimum 0.1% tax rate for transactions in all types of financial instruments, except for derivatives that would be subject to a minimum 0.01% tax rate.

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. A progressive implementation would enable the economic impact of the tax to be assessed before broadening its scope. However a December 2014 deadline for finalising that work, so as to implement a first phase on 1 January 2016, was missed.

During 2015, numerous issues were discussed by the Council working group. However, at the current stage, no agreement is within reach on most of the essential elements of the proposal.

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

- November 2015 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

Common consolidated corporate tax base

The Council will take stock of work, in the light of a note from the presidency, on a proposal to establish a common system for calculating the corporate tax base in the member states.

It will hold an exchange of views.

The Commission issued the proposal in March 2011 to address tax obstacles for businesses that arise from the coexistence of different national tax systems. The aim is to ensure consistency, but without harmonising tax rates. The proposed directive is also aimed at avoiding risks of double taxation and reducing opportunities for aggressive tax planning.

The common system for calculating the corporate tax base would operate in parallel to member state systems. It would be optional for companies to apply. The directive would allow for the consolidation of profits and losses of groups that opt into the system.

In the absence of common tax rules, the interaction of national tax systems often leads to over-taxation for companies engaged in cross-border activities. Businesses face heavy administrative burdens and high tax compliance costs, creating disincentives for investment. Double tax conventions do not eliminate double taxation in the EU single market, as they are designed to operate in a bilateral context.

The proposed common system would be used to compute the tax base of companies that are tax resident in the EU. It would also be used for EU branches of third country companies. The common consolidated corporate tax base (CCCTB) would be used to calculate:

- each company's or each branch's individual tax results;
- the consolidation of those results, where the company or branch is part of a group;
- the apportionment of the consolidated tax base to each member state concerned.

A major benefit of the CCCTB would be a reduction in compliance costs for companies. The Commission estimates a 7% reduction of costs for recurring tax-related tasks.

The substance of the proposal is closely linked to work undertaken by the OECD, with the support of the G20. The OECD has been addressing a phenomenon referred to as BEPS (base erosion and profit shifting: see separate item below). In July 2013, the OECD launched a BEPS action plan, scheduling actions in three phases between September 2014 and December 2015. Recent EU presidencies have developed an EU-BEPS work programme.

Discussions on the CCCTB proposal have been steered towards anti-BEPS objectives, so as to ensure maximum consistency with OECD work. Both are aimed at achieving greater coherence in corporate tax systems. In June 2015, the Commission announced it would make proposals to incorporate the outcome of OECD work into EU legislation. In the light of this, the Council working group has discussed the possibility of splitting certain provisions from the CCCTB proposal. This would enable rapid implementation in the EU of the OECD's anti-BEPS recommendations.

Conclusion of the OECD process has enabled progress in parallel on the CCCTB proposal at EU level.

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

- December 2015 presidency note on the state of play on the CCCTB (14509/15)

Banking union – European deposit insurance scheme

The Commission will present:

- a proposal on the establishment of a European deposit insurance scheme;
- a communication on the completion of Europe's banking union.

The Council may hold a first exchange of views.

European deposit insurance scheme

The proposal sets out to establish an insurance scheme to reinforce deposit protection in the member states. Deposit guarantee schemes (DGSs) provide protection to depositors against the risk of loss arising from the failure of a bank or other deposit institution. But whereas the current set-up of national DGSs remains vulnerable to local shocks, a common deposit insurance would boost resilience against future crises.

The European deposit insurance scheme (EDIS) would constitute the third pillar of Europe's banking union, alongside the recently-established single supervisory mechanism (SSM) and single resolution mechanism (SRM). It would be mandatory for euro area countries and open to other member states participating in the banking union.

The banking union project, launched in 2012, is aimed at placing Europe's banking industry on a sounder footing and restoring confidence in the euro. Established in response to the sovereign debt crisis, it is part of a longer-term plan for economic and fiscal integration. A fully integrated financial system would support monetary policy transmission and risk diversification across member states. It would improve confidence in the eurozone banking system.

The EDIS would be established in three stages:

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

A national DGS would benefit from the European deposit insurance scheme if its funds are built up in line with a precise funding path. It would also have to comply with EU rules. The single resolution board, established under the SRM, would be expanded to administer the EDIS. It would monitor national DGSs and release funds where clearly defined conditions are met.

The introduction of EDIS would be accompanied by measures to reduce risk in the banking sectors of the member states.

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.)

Completion of the banking union

In its communication, the Commission places the proposal on EDIS in the broader context of completing the banking union. It examines additional measures that it considers necessary for risk sharing and risk reduction.

Whilst some components of the banking union are already or will soon become operational, the Commission considers the overall construction to be incomplete.

A common deposit insurance scheme is one of the missing elements. Additionally, the Commission calls on member states to continue work under the SRM. This will involve reinforcing agreed bridge financing arrangements for the single resolution fund and developing a common fiscal backstop.

A common feature of these developments is that they will further weaken the link between banks and their respective national sovereigns. This link was a contributing factor to the sovereign debt crisis, and weakening it by means of risk sharing amongst member states will enable the banking union to attain a key objective. The Commission considers moreover that to break the bank-sovereign link, risk sharing must be accompanied by measures to reduce risk.

- Proposal for a regulation for a European deposit insurance scheme
- Commission communication on completion of the banking union

Implementation of banking union

The Council will take stock of implementation of Europe's banking union, after the passage of a key deadline for agreed measures for the recovery and resolution of failing banks.

The Commission is expected to briefly update the Council on:

- ratification of an intergovernmental agreement (IGA) on the single resolution fund (SRF). The deadline for ratification was 30 November 2015, so as to enable entry into force on 1 January 2016;
- transposition of a directive on bank recovery and resolution. The transposition deadline was 31 December 2014, whilst a provision on the bail-in of investors must be applicable on 1 January 2016;
- transposition of a directive on deposit guarantee schemes, for which the deadline was 3 July 2015.

Four times the Council has urged member states to speed up the measures necessary for entry into force of the agreed rules.

As concerns the bank recovery and resolution directive, on 22 October 2015 the Commission announced it would refer the Czech Republic, Luxembourg, the Netherlands, Poland, Romania and Sweden to the Court of Justice over their failure to transpose the rules in a timely manner.

Regarding the SRF however, as of 30 November 2015 a sufficient number of member states had ratified the IGA, thereby enabling entry into force on 1 January 2016 as scheduled.

As of 4 December 2015:

– 18 of the current 19 member states of the banking union had deposited their instruments of ratification of the IGA;

– 19 of the 28 member states had fully transposed the bank recovery and resolution directive, and three others had partially transposed it;

– 15 of the 28 member states had fully transposed the directive on deposit guarantee schemes, and two others had partially transposed it.

The banking union is composed of the 19 countries of the euro area, whilst seven other member states have also indicated their intention to participate.

The single resolution fund is part of a single resolution mechanism (SRM) aimed at ensuring the orderly resolution of failing banks. Established by regulation in July 2014, the SRM will be applicable from 1 January 2016.

Entirely financed by banks, the SRF is being set up for possible intervention in resolution cases along with the bail-in of shareholders. It will be built up over eight years to reach an estimated €55 billion. The fund's target level is at least 1% of the covered deposits of all credit institutions in the participating member states.

The intergovernmental agreement on the SRF contains provisions on the transfer of contributions to the fund and the mutualisation of those contributions.

A single resolution board will be responsible for putting into place a resolution scheme in the event of a bank being placed into resolution. It will determine the resolution tools to be applied, and decide on the use of the single resolution fund. The board's six full-time members were appointed in December 2014, and Elke König took office as president of the board on 1 March 2015.

The bank recovery and resolution directive identifies the powers and instruments at the disposal of national authorities to resolve failing banks. It sets out to preserve essential bank operations and minimise taxpayers' exposure to losses in the event of a bank being resolved. Unlike the SRM, it applies to all 28 member states. It was adopted in May 2014.

For member states participating in the banking union, national resolution funds set up under the directive as of 1 January 2015 will be replaced by the SRF as of 1 January 2016.

The directive on deposit guarantee schemes (DGS) requires all banks to join a DGS so that deposits of up to €100 000 are protected. It sets requirements for supervision and for regular stress tests of such schemes.

- Press release on the adoption of the regulation establishing the SRM
- Press release on the signature of the intergovernmental agreement on the SRF
- Press release on SRF contributions and the appointment of members of the SRB
- Press release on the adoption of the bank recovery and resolution directive
- Press release on the Council's approval of the directive on deposit guarantee schemes

Terrorist financing

The Commission will present next steps in work on strengthened measures to prevent the financing of terrorism.

The Council will hold an exchange of views.

This item was added to the agenda at the request of France following the Paris attacks on 13 November 2015.

In May 2015 the European Parliament adopted strengthened EU rules, agreed with the Council, to prevent money laundering and terrorist financing. The directive and regulation will apply from 26 June 2017. They implement recommendations by the Financial Action Task Force (FATF), which is considered a global reference for rules against money laundering and terrorist financing. The changes include an extension of scope, application of a risk-based approach to better target risks, and tighter rules due diligence by banks.

The new rules require basic information on the payer and payee of fund transfers to be immediately available to the authorities. Information on the beneficial ownership of companies will be stored in a central register. Specific provisions are also included for gambling services.

In January 2015 following the Charlie Hebdo and associated attacks in Paris, ministers discussed additional measures to counter terrorist financing. The new EU rules were at that stage in the final stages of adoption, and the Commission indicated that it envisaged proposing a number of new elements. In February, the European Council called on all competent authorities to step up action to trace financial flows and to freeze assets used for financing terrorism.

In its "European agenda on security" published in April, the Commission mentions several further actions to be taken to counter terrorist financing. These include setting up a European Counter-Terrorism Centre that will include a joint terrorist financing tracking programme United States. They also include FIU.NET, a decentralised computer network supporting cross-border cooperation between national finance intelligence units (FIUs).

On 20 November, following the November Paris attacks, the Justice and Home Affairs Council called for the powers of FIUs and cooperation between them to be strengthened. It also called for strengthened controls of non-banking payment methods, and for a swift and effective freezing of terrorist assets to be ensured throughout the EU.

- Text of the anti-money laundering regulation agreed on 20 April 2015
- Text of the anti-money laundering directive agreed on 20 April 2015

Business taxation – Code of conduct

The Council will discuss the strengthening of a code of conduct aimed at eliminating measures that can create situations of unfair tax competition. It will be called on to adopt conclusions.

The code is used to assess the harmfulness of tax measures adopted, or in the process of being adopted, by the member states. The code dates from December 1997, and a working group was set up in March 1998 to oversee its implementation.

When the harmful nature of a measure is established by the working group, the member state concerned agrees, on a voluntary basis, to suspend the measure ("standstill"), then to abolish it ("rollback"). Furthermore, the member states undertake not to introduce new measures that would be harmful within the meaning of the code. Twice a year, normally in June and December, the group submits a report to the Council (see ‘other issues’ below).

Beyond the group's work on harmful measures, the Council approved work plans for the group for the 2008-11 and 2011-15 periods. A further plan has been prepared for 2016 onwards. The work covered in these plans relates to anti-abuse measures, transparency and information exchange in the field of transfer pricing, administrative practices and links with third countries. On the latter point, the group plans to explore the possibilities for promoting adoption of the code's principles by third countries.

In 2013, the European Council called for a strengthening of the code on the basis of the group's existing mandate. Since then, work has been undertaken to reform the scope and governance of the working group. The draft conclusions assess the outcome of that work to date.

The draft conclusions highlight the usefulness of the work done in assessing individual tax measures. They endorse the group's new work package, and encourage it to develop general guidance to prevent tax avoidance, tax base erosion and profit shifting.

It is expected that work on strengthening the code will be finalised during the first half of 2016.

Business taxation – Base erosion and profit shifting

The Council will discuss the prevention of tax base erosion and profit shifting, as part of moves to clamp down on tax avoidance by multinational companies. It will be called on to adopt conclusions.

The phenomenon referred to as BEPS (base erosion and profit shifting) has been the subject of work by the OECD. This has addressed the challenges posed by the interaction of uncoordinated tax laws in different countries. In 2013, the European Council highlighted the need for the EU, the OECD and the G20 to cooperate closely in developing international standards to prevent BEPS.

In July 2013 the OECD launched a BEPS action plan. The plan scheduled actions in three phases between September 2014 and December 2015. Final reports were published on 5 October 2015, though some elements remain to be finalised by the end of 2016. These include the issue of the multilateral instrument for implementing certain actions.

G20 leaders meeting in Antalya on 15 and 16 November 2016 endorsed the conclusions to the OECD plan.

In June 2015, the European Commission announced it would make proposals to incorporate the outcome of OECD work into EU legislation. Within the Council, recent presidencies have developed an EU-BEPS work programme. However it remains to be determined which elements should be covered by EU legislation, which could be taken up via a non-legislative process (by the code of conduct group: see previous item), and which should be left to the discretion of member states.

The draft conclusions support an effective, swift and coordinated implementation by member states of measures to be adopted at EU level. They identify EU directives as the preferred vehicle for implementing the OECD conclusions, giving priority to legislation over possible ‘soft-law’, i.e. non-legislative, solutions.

Economic governance - 2016 European Semester

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

It will focus on growth prospects, macroeconomic imbalances and implementation of economic policy guidelines.

The Council will discuss three documents from the Commission:

- the annual growth survey, highlighting the main conclusions for 2016;
- an "alert mechanism report", marking the starting point of the annual macroeconomic imbalances procedure;
- a draft Council recommendation on the economic policy of the euro area.

The 2016 European Semester will conclude in July 2016 with the adoption of country-specific recommendations.

Annual growth survey

The Commission's survey is the starting point of the 2016 European Semester. It suggests priority actions to be taken by member states to ensure better-coordinated and more effective policies for fostering sustainable economic growth.

The EU's economy is experiencing a moderate recovery. The pace of activity is expected to accelerate gradually. Unemployment has been falling but remains at historically high levels. The recovery is benefiting from temporary positive factors, including low oil prices, a relatively weak euro and accommodative monetary policies. The Commission notes the first effects of reforms implemented in recent years. At the same time, security concerns and geopolitical tensions have intensified and the global economic outlook is becoming more challenging.

The Commission recommends that policies be directed at consolidating the recovery and fostering convergence. Member states should take advantage of the current economic tailwinds to implement ambitious reforms and pursue responsible fiscal policies.

For 2016, the Commission proposes to focus efforts on the three following priorities:

– relaunching investment;

– pursuing structural reforms to modernise member states' economies;

– responsible fiscal policies.

Alert mechanism report

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

The macroeconomic imbalances procedure is used to prevent and correct such imbalances. Euro area countries can be fined under the procedure if they repeatedly fail to comply with the Council's recommendations.

The Commission's report, published by the Commission on 26 November 2015, identifies the member states that may have an imbalance. For these, in-depth reviews will be undertaken.

To identify the imbalances, the Commission applied 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.
- New employment indicators: activity rate; long-term unemployment rate; youth unemployment rate.

The report calls for in-depth reviews of the situation in 18 member states: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, the Netherlands, Portugal, Romania, Slovenia, Spain, Sweden and the United Kingdom.

These are the same as for the 2014-15 exercise, with two additions: for Austria and Estonia, in-depth reviews will be prepared for the first time. The list does not include Cyprus or Greece, as they are subject to macroeconomic adjustment programmes; they are therefore already under enhanced surveillance.

Recommendation for the euro area

It is the first time that the Commission has presented a draft recommendation on the economic policy of the euro area at an early stage of the European Semester. The text was previously published in the spring, together with the draft country-specific recommendations.

The aim is to focus more on the priorities of the euro area, and to take greater account of eurozone issues in the country-specific recommendations. The Council will discuss the recommendation at its meeting on 15 January 2016. Adoption is scheduled for March 2016, following endorsement by the European Council in February.

- 2016 annual growth survey
- 2016 alert mechanism report (14272/15)
- 2016 draft recommendation on implementation of the broad economic policy guidelines

Flexibility under the Stability and Growth Pact

The Council is expected to endorse a commonly agreed position on flexibility in the Stability and Growth Pact, the EU's fiscal rulebook.

This follows agreement in the Economic and Financial Committee (EFC), in the light of discussions from January to March 2015. The commonly agreed position takes account of a communication issued by the Commission in January 2015.

The Stability and Growth Pact is aimed at ensuring that fiscal discipline is maintained in the member states. It sets reference values of 3% of GDP for annual budget deficits and 60% of GDP for public debt.

The preventive arm of the pact is intended to guarantee sound budgetary positions. The aim is for each member state to attain its medium-term budgetary objective.

The pact's corrective arm deals with situations where the government deficit and/or debt are above the reference values. In such cases, member states are subject to an excessive deficit procedure, which entails stricter conditions and monitoring.

Under the EFC's commonly agreed position, flexibility may be envisaged under specified conditions without changing the rules of the pact. The document clarifies how three specific policy dimensions can best be taken into account for this. These relate to:

- cyclical conditions;
- structural reforms;
- government investments aiming at, ancillary to, and economically equivalent to major structural reforms.

The concession of flexibility is without prejudice to the requirement for member states to reduce their government debt at a satisfactory pace, thereby contributing to the long-term sustainability of their public finances.

The commonly agreed position is intended as the basis for an update of a code of conduct on implementation of the Stability and Growth Pact.

EU statistics

The Council will review progress on issues of governance in EU statistics, and is expected to adopt conclusions.

The Commission will present an annual report on implementation of a code of practice for EU statistics.

EU policy frameworks rely increasingly on the timely provision of high quality socio-economic statistics. These play an important role in planning, decision-making and the monitoring of policy initiatives.

The draft conclusions acknowledge this, and welcome progress towards the modernisation of the European statistical system (ESS). The ESS is a partnership between Eurostat, the EU's statistical authority, and national statistical institutes and authorities. Its mission is to provide reliable and comparable statistics at EU level.

The draft conclusions also endorse an annual report from the Economic and Financial Committee (EFC) on information requirements under EU economic and monetary union.

Since 2006, the EFC and the Economic Policy Committee have once a year taken stock of statistical needs to support the work of the Council. Modernisation of the ESS is underway since 2009.

EU budget discharge – Court of Auditors report

The President of the Court of Auditors, Mr Vitor Caldeira, will present the Court's annual report on management of the EU's general budget.

The Council will hold an exchange of views.

The report, which covers the budget for 2014, gives an unqualified statement of assurance on the reliability of the EU accounts. It finds EU revenue to be free from error. It however qualifies its assessment for expenditure – as in previous years – finding an estimated 4.4% rate of error, compared with 4.5% for 2013. The highest estimated error rates are found in spending for "economic, social and territorial cohesion" (5.7%) and "competitiveness for growth and jobs" (5.6%).

In areas where expenditure is jointly managed by the member states and the Commission, corrective action had a positive impact on estimated error rates. But the report finds that more errors could have been corrected.

The report recommends a new approach to management of EU investment and expenditure. It calls for the budget to be better aligned with the EU's long-term strategic priorities. The budget should be more responsive in the event of a crisis, the report finds. A forthcoming expenditure review provides therefore an opportunity to rethink priorities.

The Court's report will be used in relation to a discharge to be given to the Commission for implementation of the 2014 budget. The Council is expected to adopt a recommendation to the European Parliament at its meeting on 12 February 2016. It will then be for the Parliament to give a discharge to the Commission.

- Court of auditors annual report on management of the EU's general budget in 2014

Other issues

Under "other business", the Council will take note of on-going work on legislative proposals on financial services.

Without discussion, it is expected to:

- adopt a directive on **cross-border tax rulings** (see separate item above);
- confirm an agreement on proposals aimed at facilitating the development of a **securitisation** market in Europe (see separate item above);
- approve the conclusion of taxation agreements with **Liechtenstein** and **Switzerland** and the signing of an agreement with **San Marino** (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**;
- endorse a six-monthly report to the European Council on **tax issues**;
- endorse a six-monthly report on tax issues by finance ministers of member states participating in the Euro Plus Pact, a 2011 pact to strengthen economic policy coordination.