Council of the European Union

PRESS
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BACKGROUND[1]
Brussels, 11 March 2019

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL
Tuesday 12 March in Brussels

Proceedings will start with a breakfast meeting at 9.00 to discuss InvestEU's investment committee secretariat and items related to the ***economic situation****. The Council should start at 10.00.*

The Council will be chaired by Eugen Teodorovici, Romanian minister of finance.

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The Council will adopt the revised EU list of non-cooperative jurisdictions for tax purposes and is expected to adopt new conclusions on the matter.

The Council will try to reach a political agreement on a set of new excise duty rules applicable in the EU regime. These concern in particular the general arrangements for excise duty and the specific regime applicable to alcohol and alcohol beverages. Ministers will also hold a policy debate on the digital services tax, in the broader context of digital taxation, also in view of international developments.

Ministers will discuss an InvestEU-related item, namely the location of the Investment Committee secretariat. InvestEU is a programme aimed at bringing together a range of EU financial instruments currently available to support investment and innovation and create jobs in the EU. On 20 February, EU ambassadors mandated the Presidency to start negotiations with the Parliament. The first trilogue took place on 4 March.

Following the publication of its Winter Package on 27 February, the Commission will present its annual assessment of the economic and social situation of each member state for 2019. Ministers will then exchange views on the implementation of country-specific recommendations focussing on investments.

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On Monday 11 Marchthe current and two future presidencies and representatives of the EU institutions will meet the social partners: employers, trade unions, public enterprises and SMEs at European level.

The Eurogroup will meet at 15:00 in a regular format. It will discuss the second enhanced surveillance report on Greece and the draft budgetary plans of Latvia. Ministers will also hold a thematic discussion on the housing markets. The Eurogroup will meet at 17:00 in an inclusive format to discuss the reform of the Economic and Monetary Union.

Press conferences:

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

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.

Excise duties

The Council will discuss the review of the excise duty rules applicable in the EU. Ministers will be called on to agree on the following proposals:

- the directive on general arrangements for excise duty
- the regulation on administrative cooperation on the content of electronic registers
- the directive on the structures of excise duty on alcohol and alcoholic beverages.

Excise duties are indirect taxes on the sale or use of specific products, such as alcohol, tobacco and energy. The revenue from these taxes goes entirely to the country to which they are paid. Since 1992, EU countries have had in place common rules to make sure that excise duties are applied in the same way and to the same products everywhere in the EU. This helps prevent trade distortions in the Single Market, ensures fair competition between businesses and reduces administrative burden for companies.

In addition to the harmonisation of minimum rates of excise duty (which are not subject to a revision for the time being), EU law also sets out common provisions which apply to all products. On 25 May 2018, the Commission proposed a series of new rules on excise duties, covering both the general arrangements on excise duties and the structure of excise duties on alcohol.

General arrangements for excise duty and administrative cooperation on the content of electronic registers

The aim of these proposals is to align the EU excise and customs procedures, so as to improve the freedom of movement for excise goods released for consumption in the single market while ensuring that correct tax is collected by the member states. It also aims to reduce the administrative and legal burden for small companies. The proposals contain a number of measures to streamline and simplify the processes covering export and import interaction and intra-EU movements of excise products .

The directive on general arrangements for excise duty sets out, inter alia, the guidance for amounts of excise duty goods that private individuals are allowed to acquire for their own use and transport from one member state to another without being taxed.

Ministers are expected to agree on both files, provided that an agreement can be reached on the rules applicable to the acquisition and transport excise goods by private individuals from one member state to another.

Harmonisation of structures of excise duties on alcohol and alcoholic beverages

The main objective of this proposal is to update the rules governing structures of excise duty on alcohol within the EU in order to improve business environment and reduce costs for small alcohol-producing businesses.

The proposal puts in place a uniform certification system in the EU for confirming the status of independent small producers, recognizable in all EU countries.

It introduces a solution concerning beverages like other fermented beverages and intermediate products across the EU which will resolve the current obstacle for small producers of such beverages which do not have access to the reduced rates afforded to small beer and ethyl alcohol producers.

The text also increases the threshold for lower strength beer that can benefit from reduced rates from 2,8% volume to 3,5% volume. This change will encourage more innovation and the development of new products and should encourage consumers to choose low-strength alcoholic beverages over standard ones, thereby reducing alcohol intake.

Over the course of negotiations, the Council took into account a variety of considerations, including health issues and efficient collection from alcohol excise in order to reach a compromise that could be acceptable to all delegations.

Ministers will seek to settle the remaining outstanding issues, such as the method to measure the Plato for beer, the alternative optional method to calculate excise duty, by taking into account the alcoholic strength and the quantitative limit for exemption from excise duty or reduced rates for small home distilleries, and reach a political agreement on the file.

Digital services tax

The Council will take stock of the progress achieved in the negotiations on the digital services tax, since the issue was last discussed at the ECOFIN meeting of 4 December 2018. Ministers will try to reach a political agreement on the basis of a new consolidated legislative text.

In December 2018, it was agreed to explore the possibility to limit the tax's scope to digital advertising services. On this basis, the text was redrafted focusing on revenues resulting only from the provision of targeted advertising services. The Council Presidency has conducted extensive work at technical level and now considers that all possibilities to make further progress have been explored. The text submitted for ministers' consideration enjoys broad support from a large number of delegations.

However, some member states maintain reservations on the proposal: while some of them have concerns over specific elements of the compromise text (such as the narrower scope of the new approach, level of the thresholds for taxable persons or date of entry into force of the regulation), others seem to have more fundamental objections.

During the discussion, it is expected that the ministers will also recall the broader context of digital taxation, in particular in view of G20/OECD work on the matter. The OECD has published an interim report in March 2018 and aims at producing a final report to the G20 in 2020.

The digital services tax was proposed by the Commission on 21 March 2018, as part of a "digital taxation package". It is meant as an interim solution aimed at addressing the most urgent gaps in the taxation of digital activities, while ensuring a level playing field for all businesses.

Council webpage on digital taxation

InvestEU

The Council will discuss an InvestEU-related issue, namely the location of the Investment Committee Secretariat.

InvestEU is a new EU programme bringing together 14 existing financial instruments currently available to support investment and job creation in the EU, in the context of the next multiannual financial framework (2021-2027). The aim of InvestEU is to encourage public and private investors' participation in financing and investment operations by providing guarantees from the EU budget to address failures and sub-optimal investment situations.

On 20 February, EU ambassadors endorsed the Council's position on the Commission proposal on the InvestEU programme. On this basis, the presidency has initiated negotiations with the European Parliament. A first trilogue was held on 4 March.

The agreement excludes budget-related and horizontal issues which are currently being discussed as part of the negotiations on the EU's next multiannual financial framework (MFF) for the period 2021 to 2027.

Given the lack of clear majority within the Council, the issue of the Investment Committee secretariat's location also remains outstanding. In order to facilitate the progress of negotiations, ministers will be invited to discuss the best way forward on this issue.

All delegations agree that the secretariat should be independent, with strong confidentiality rules. Its tasks should be of a purely administrative nature and it should report directly and exclusively to the Investment Committee. The Commission and the EIB should both be represented within the secretariat's staff, in a balanced manner. The Council has not reached an agreement on whether the secretariat should be administratively located in the Commission or in the EIB.

According to the Council position, the InvestEU programme should be governed by:

- a steering board, composed of four representatives of the Commission, three representatives of the EIB and two representatives of other implementing partners, charged with determining the strategic and operational guidance for InvestEU.
- an advisory board consisting of representatives of the implementing partners and representatives of member states and providing advice to the Commission and the steering board.
- on the financing and investment side, an investment committee composed of independent experts and responsible for providing external expertise in investment assessments in relation to projects.

In the governance structure as set out by the Council, the steering board will adopt the rules of procedure for the Investment Committee secretariat.

Note to Council on the location of InvestEU's location of the investment committee secretariat

EU list of non-cooperative tax juridictions

The Council will be called on to adopt conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes.

Part of the EU's external strategy for taxation, the list is intended to contribute to ongoing efforts to prevent tax avoidance by corporates and promote tax good governance worldwide.

Work on the list started in mid-2016 within the Council's working group responsible for implementing an EU code of conduct on business taxation.

In November 2016, the Council agreed on the process to be followed and laid down criteria for screening third country jurisdictions, namely:

- what a jurisdiction should fulfil to be considered compliant on tax transparency;
- what a jurisdiction should fulfil to be considered compliant on fair taxation;
- that OECD anti-BEPS (tax base erosion and profit shifting) minimum standards are being implemented.

On this basis, the Council approved and published conclusions containing an EU list of non-cooperative tax jurisdictions in December 2017. It also agreed on the further process, and recommended 'defensive' measures with regard to the listed jurisdictions.

The first list was established following a screening and a dialogue conducted during 2017 with 92 third country jurisdictions and composed of the jurisdictions that failed to take meaningful commitments to address deficiencies identified by the EU.

Over the course of 2018, most of the countries and territories mentioned in this initial list engaged in a constructive dialogue with the EU and took commitments to comply with the EU's criteria. That's why by the end of 2018, only 5 jurisdictions remained listed: American Samoa, Guam, Samoa, Trinidad and Tobago and the US Virgin Islands.

Most commitments taken by third country jurisdictions were with a deadline of end 2018, whilst their enactment in national law was carefully monitored at technical level by the Code of Conduct Group on business taxation until the beginning of this year.

Ministers will now be invited to adopt the revised EU list of non-cooperative jurisdictions resulting from this exercise and endorse a revised state of play with respect to pending commitments set out in Annex II of the conclusions.

In addition to the 5 jurisdictions that were already listed, the revised EU list of non-cooperative jurisdictions now also includes the jurisdictions that failed to meet EU's expectations by the end of 2018, whilst Annex II reflects the deadline extensions granted to some jurisdictions.

Council's page on the EU list of non-cooperative jurisdictions

Council's page on the Code of Conduct group on business taxation

2019 European Semester - economic governance

The Commission will present an overview of the country reports, and the in-depth reviews in the framework of the macroeconomic imbalance procedure. In particular, ministers will be invited to discuss the implementation of investment-related country-specific recommendations.

On 27 February, the Commission published 28 country reports on the progress made by member states in implementing reforms and in addressing the imbalances in member states' economies.

For 13 member states identified in the 2019 Alert Mechanism Report, the country reports also include in-depth reviews carried out under the macroeconomic imbalance procedure. The country concerned are: Bulgaria, Germany, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, the Netherlands, Portugal, Romania and Sweden. For the first this year, there is also a country report for Greece, following its exit from the macroeconomic adjustment programme.

The country reports showed that, since the introduction of the European Semester in 2011, all member states have made progress in implementing country-specific recommendations (CSRs), although the rate of progress varied. Member states have made at least ‘some progress' with the implementation of more than two thirds of the CSRs addressed to them. Most progress has been achieved in financial services, reflecting the priority given to measures to stabilise the financial sector in the aftermath of the economic and financial crisis. Member states have also made progress with the implementation of the recommendations on reforms to promote job creation on permanent contracts and to address labour market segmentation.

As a novelty this year, the Commission deepened the discussion on investment challenges and priorities in member states and set out first ideas as to how EU funds, in particular EU cohesion policy funds, could help in the forthcoming programming period 2021-2027. The objective was also to help ensuring a greater coherence between the coordination of economic policies and the use of EU funds, which are a significant part of public investment in several member states.

Ministers are expected to have an exchange of views on the implementation of the investment-related country-specific recommendations. The debate should reflect the great focus put on initiatives to facilitate investments in the context of the European Semester (25 member states were recommended to tackle bottlenecks to investment in their 2018 CSRs) as well as the evolving economic environment.

Ministers will be invited to discuss in particular the two following issues:

- the most important factors for creating an attractive investment climate;
- the future investment priorities, in light of a more uncertain global economic environment.

Winter package - Commission communication on main findings of the country reports

Letter from the EFC president to the ECOFIN president on the implementation of CSRs focused on investment

Other items

The Council will discuss the following under 'other business':

- **Financial services**: Ministers will be updated regarding work on legislative proposals and implementation of financial services legislation;
  - March 2019 note on financial services legislative proposals (6648/19)

- **Finance ministers coalition for climate action:** the Finnish minister will provide information on the preparatory work and the process leading to the launch of the coalition on 13 April in Washington DC, in the context of the Spring meetings of the World Bank and the IMF.

As a point without discussion, the Council is also expected to agree **implementing rules on the VAT regime for e-commerce** adopted in December 2017. Those new detailed measures will ensure a smooth transition to the new regime that comes into force in January 2021.