**COUNCIL OF
THE EUROPEAN UNION**

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PRESS RELEASE

3178th Council meeting

Economic and Financial Affairs

Luxembourg, 22 June 2012

President **Ms Margrethe VESTAGER**
Minister for Economic Affairs and the Interior of Denmark.

P R E S S

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Main results of the Council

The Council approved draft recommendations to all member states on the ***economic policies*** *set out in their national reform programmes, and draft opinions on the* ***fiscal policies*** *presented in their stability and convergence programmes. It also approved a specific draft recommendation for the eurozone as a whole.*

The texts will be forwarded to the June European Council and adopted in July, under this year's European Semester.

In accordance with the 'comply or explain principle' endorsed recently, the Council must comply with the Commission's recommendations and proposals or explain its position publicly. This it will do publicly in July.

The Council adopted decisions closing excessive deficit procedures for ***Germany*** *and* ***Bulgaria****, thus confirming that they have reduced their deficits below 3% of GDP, the EU's reference value for government deficits.*

In the light of an assessment by the Commission of actions taken by ***Hungary*** *to correct its excessive government deficit, the Council lifted the suspension of commitments for Hungary from the EU's cohesion fund that had been imposed in March.*

The Commission expects Hungary's budget deficit to reach 2.5% of GDP in 2012 and to remain well below the 3% of GDP reference value in 2013. Hungary's excessive deficit procedure nevertheless remains open.

The Council also approved:

- *a report to the European Council on* ***tax issues****, as requested in March. Additionally, finance ministers from the signatory countries approved a report on tax issues in the framework of the* ***Euro Plus Pact****;*
- *conclusions on the implementation of a code of conduct aimed at eliminating situations of* ***harmful tax competition*** *in the EU with regard to business taxation, in the light of a biannual report;*
- *conclusions on the* ***single market for services****.*

CONTENTS[1]

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

JUSTICE AND HOME AFFAIRS

TRADE POLICY

TRANSPARENCY

PARTICIPANTS

Belgium:	
Mr Steven VANACKERE	Deputy Prime Minister and Minister for Finance and Sustainable Development, with responsibility for the Civil Service
Bulgaria:	
Mr Simeon DJANKOV	Deputy Prime Minister and Minister for Finance
Czech Republic:	
Mr Miroslav KALOUSEK	Minister for Finance
Denmark:	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
Mr Steen LOHMANN POULSEN	Deputy Permanent Secretary, Ministry of Economic Affairs and the Interior
Germany:	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Michael NOONAN	Minister for Finance
Greece:	
Mr Georgios ZANIAS	Minister for Finance
Spain:	
Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
France:	
Mr Philippe ETIENNE	Permanent Representative
Mr Ramon FERNANDEZ	Director-General of the Treasury
Italy:	
Mr Ferdinando NELLI FEROCI	Permanent Representative
Cyprus:	
Mr Vassos SHIARLY	Minister for Finance
Latvia:	
Ms Ilze JUHANSONE	Permanent Representative
Lithuania:	
Ms Ingrida ŠIMONYTĖ	Minister for Finance
Luxembourg:	
Mr Luc FRIEDEN	Minister for Finance
Hungary:	
Mr György MATOLCSY	Minister for the National Economy
Malta:	
Mr Tonio FENECH	Minister for Finance, the Economy and Investment
Netherlands:	
Mr Jan Kees de JAGER	Minister for Finance
Austria:	
Ms Maria FEKTER	Federal Minister for Finance
Poland:	
Mr Jacek ROSTOWSKI	Minister for Finance
Portugal:	
Mr Vítor GASPAR	Ministro de Estado, Minister for Finance
Romania:	
Mr Claudiu DOLTU	State Secretary, Ministry of Public Finance
Slovenia:	
Mr Janez ŠUŠTERŠIČ	Minister for Finance

Slovakia:

Mr Peter KAŽIMÍR	Deputy Prime Minister, Minister for Finance

Finland:

Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance

Sweden:

Mr Anders BORG	Minister for Finance

United Kingdom:

Mr George OSBORNE	Chancellor of the Exchequer

Commission:

Mr Olli REHN	Vice-President
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member
Mr Janusz LEWANDOWSKI	Member

Other participants:

Mr Vítor CONSTÂNCIO	Vice-President of the European Central Bank
Mr Werner HOYER	President of the European Investment Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Hans VIJBRIEF	President of the Economic Policy Committee

The Government of the Acceding State was represented as follows:

Croatia:

Mr Boris LALOVAC	Deputy Minister for Finance

ITEMS DEBATED

EUROPEAN SEMESTER: ECONOMIC AND FISCAL POLICY RECOMMENDATIONS

The Council approved, under this year's *European Semester*:

– draft recommendations to each member state on the economic policies set out in their national reform programmes;

– draft opinions on the fiscal policies set out in the member states' stability and convergence programmes; and

– a specific draft recommendation on the economic policies of the member states of the eurozone.

The texts will be forwarded to the General Affairs Council on 26 June, with a view to the European Council meeting on 28 and 29 June. Recommendations on both economic and employment policies are due to be adopted in July.

For details, see press release 11650/12.

EXCESSIVE DEFICIT PROCEDURE

Germany and Bulgaria

The Council adopted decisions closing excessive deficit procedures for Germany and Bulgaria, thus confirming that they have reduced their deficits below the EU's 3% of GDP reference value.

The decisions, adopted under article 126(12) of the Treaty on the Functioning of the European Union, abrogate decisions that the Council took in December 2009 and July 2010 respectively on the existence of excessive deficits in Germany and Bulgaria, under article 126(6) of the treaty.

For details, see press release 11649/12.

Hungary

In the light of an assessment by the Commission of actions taken by Hungary to correct its excessive government deficit, the Council adopted a decision lifting the suspension[1] of commitments for Hungary from the EU's cohesion fund that had been imposed in March.

The Council concluded that Hungary has taken the necessary corrective action in response to its recommendation of 13 March 2012 on measures needed to correct the deficit by 2012.

The Commission expects Hungary's budget deficit to reach 2.5% of GDP in 2012 and to remain well below the 3% of GDP reference value in 2013. Hungary's excessive deficit procedure nevertheless remains open.

The suspension of cohesion fund commitments imposed by the Council on 13 March – followed Hungary's failure to comply with the Council's previous recommendations under the EU's excessive deficit procedure. It was the first time since the cohesion fund was established in 1994 that a clause enabling the suspension of commitments for a beneficiary country had been invoked[2].

The suspension was due to take effect as of 1 January 2013. It would have affected EUR 495.2 million of commitments, amounting to 0.5% of the country's nominal GDP and 29% of cohesion fund commitments scheduled for 2013.

For details, see press release 11648/12.

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1 Implementing Decision 2012/156/EU suspending part of the commitments from the cohesion fund.

2 The cohesion fund provides assistance for environment and trans-European transport network projects in member states with a per capita GNP of less than 90% of the EU average, with the aim of strengthening economic and social cohesion and promoting sustainable development.

ECONOMIC AND MONETARY UNION – CONVERGENCE REPORTS

The Council took note of a presentation by the Commission and the European Central Bank of their biennial reports assessing the readiness for euro membership of EU countries with a derogation[1] (10898/12 + 11410/12).

The examination showed that none of these member states fulfils all economic and monetary union (EMU) convergence criteria at this stage.

Seventeen of the 27 EU member states currently use the euro as their currency. Of the ten that do not, eight have an EMU derogation – Bulgaria, the Czech Republic, Latvia, Lithuania, Hungary, Poland, Romania and Sweden – whilst Denmark and the United Kingdom are not required to adopt the euro.

Article 140 of the Treaty on the Functioning of the European Union requires the Commission and the ECB to issue convergence reports at least once every two years, or at the request of a member state with a derogation.

The reports assess:

– progress made towards fulfilling EMU obligations, including the compatibility of national legislation and central bank statutes with treaty provisions and with the statutes of the European System of Central Banks;

– progress made towards fulfilling convergence criteria as regards price stability, the sustainability of public finances, exchange rates and long-term levels of interest rates.

They also take account of market integration, the balance of payments and developments with regard to unit labour costs and other price indices.

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[1] Having a derogation implies that a member state has not yet fulfilled the conditions for adopting the euro.

FOLLOW-UP TO G-20 SUMMIT

The Council was briefed by the presidency and the Commission on the outcome of the G-20 summit in Los Cabos (Mexico) on 18 and 19 June.

The presidency emphasised the need for a common European approach to be coordinated ahead of the G20 finance ministers' meeting on 4-5 November in Mexico City, especially as regards implementation of the 2010 IMF quota and governance reforms, which will be discussed by the IMF executive board.

The summit focused on instability in the euro area, as well as on ways to strengthen international financial architecture and regulation, reduce food price volatility and promote 'green' growth and greater investment in scientific and agricultural technology and research.

FINANCIAL TRANSACTION TAX

The Council held a policy debate on a proposed directive aimed at introducing an EU-wide financial transaction tax (FTT)[1], on the basis of a presidency paper suggesting ways forward on this dossier (introduction of an FTT on a step-by-step basis and examination of alternative means of regulating or taxing the financial sector).

In the light of the views expressed, the presidency concluded that support for an FTT as proposed by the Commission was not unanimous. It also noted that a significant number of delegations supported the idea of enhanced cooperation[2], which would allow a limited number of member states to proceed amongst themselves, making use of the EU institutions.

The presidency noted that formal requirements for enhanced cooperation would have to be met, and that the next steps would be handled by the incoming Cyprus presidency.

The Commission's proposal for an FTT had already been discussed by the Council in November 2011 and at two subsequent meetings in March.

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1 Doc. 14942/11

2 On the basis of article 20 of the Treaty on the European Union and articles 326 to 334 of the Treaty on the Functioning of the European Union.

ENERGY TAXATION

The Council discussed a proposed directive on the taxation of energy products and electricity[1] aimed at restructuring directive 2003/96/EC on energy taxation in order to align it more closely with EU energy and climate change objectives.

The presidency concluded that there was agreement amongst member states that minimum tax levels should be laid down in the directive, taking as their reference points the energy content and CO2 emission levels of energy products. However, Poland maintained a reservation on calculating the minimum tax levels in the way outlined by the presidency.

The presidency further concluded that member states should retain maximum flexibility to determine the structure of their national energy taxes, and that provisions on the principle of proportionality might have to be deleted.

Under the Commission's proposal, energy taxation would consist of two components: CO_2-related taxation and general energy consumption taxation. The proposal revises the minimum level of taxation to reflect CO_2 emissions and energy content, whilst ensuring consistency across various sources of energy (proportionality principle). It also seeks to reduce the tax burden on renewable energies.

In March 2008, the European Council called for a revision of the energy taxation directive to bring it more closely in line with EU energy and climate change objectives. The Commission presented its proposal in April 2011.

The draft directive is also aimed at contributing to the promotion of employment and growth by encouraging member states to impose higher taxes on polluting energy products whilst reducing the tax burden on labour.

Based on article 113 of the Treaty on the Functioning of the European Union, the directive would require unanimity in the Council for its adoption, following consultation of the European Parliament (special legislative procedure).

[1] Doc. 9270/11

OTHER BUSINESS

The Council took stock of progress on:

– a draft regulation and a draft directive amending the EU's rules on **capital requirements for banks** and investment firms ('CRD 4');

– a draft regulation and draft directive on **credit rating agencies** ('CRA 3');

– a draft directive on credit agreements relating to **residential property** (mortgage credit directive);

– a draft directive on the harmonisation of transparency requirements for **listed companies**.

The Council agreed its position on CRD 4 on 15 May, whilst agreement was reached on the other three dossiers by the Permanent Representatives Committee – on credit rating agencies on 21 May and on mortgage credits and transparency requirements on 30 May – enabling negotiations with the European Parliament to start with a view to adoption at first reading.

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Over breakfast, ministers discussed the economic situation, as well as bank recapitalisation and developments in sovereign debt markets. They also discussed the possibility of a capital increase by the European Investment Bank.

At lunch, ministers discussed the EU's multiannual financial framework for the 2014-20 period.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Report to the European Council on tax issues

The Council approved a report on tax issues, as requested by the European Council in March with a view to its meeting on 28 and 29 June (*11802/12*).

The report gives an overview of work within the Council on legislative proposals that were specifically referred to by the European Council, such as energy taxation, the common consolidated corporate tax base, the financial transaction tax, the revision of the directive on the taxation of savings interest and negotiating directives for revised savings tax agreements with certain third countries.

The Council's work over recent months has focused on ways to improve the fight against tax evasion and tax fraud. Ensuring effective tax revenues in the member states has become increasingly important at a time of budgetary consolidation. Discussions have also highlighted the potential role of taxation as an incentive/disincentive as a means of stimulating growth, dealing with climate change and drawing the appropriate conclusions from the financial crisis.

Euro Plus Pact - Coordination of tax policies

Finance ministers from the signatory countries approved a report on tax issues in the framework of the *Euro Plus Pact*[1] (*11803/12*).

The report welcomes the work carried out during the Danish presidency on the Commission's proposals for a common consolidated corporate tax base (CCCTB), energy taxation and an EU-wide financial transaction tax. It calls on the incoming presidency to carry on this work, with a particular focus on avoidance of harmful tax practices, combating tax fraud and tax evasion, the exchange of best practices and international coordination.

The *Euro Plus Pact* includes a specific section on the coordination of tax policies, calling for a structured dialogue between the participating member states. In December 2011, the European Council called on finance ministers to report back in June on progress made in this area.

[1] Concluded in March 2011 by 23 of the 27 member states, the *Euro Plus Pact* is aimed at strengthening coordination on economic policy with a view to improving competitiveness and enabling a greater degree of convergence.

Harmful tax competition - Code of Conduct - *Conclusions*

The Council adopted the following conclusions:

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

– welcomes the progress achieved by the Code Group during the Danish Presidency as set out in its report (*10903/12* FISC 77);

– asks the Group to continue monitoring standstill and the implementation of the rollback as well as its work under the Work Package 2011;

– encourages the Commission to intensify discussions with third countries with the aim to apply the principles and all the criteria of the Code as set out in the Group's Report and to keep the Group regularly informed of the progress;

– invites the Group to report back on its work to the Council by the end of the Cyprus Presidency."

Single market for services - *Conclusions*

The Council adopted the following conclusions:

"1. A well-functioning and truly integrated Single Market for services is a key tool for enhancing productivity and competitiveness and, more generally, increasing potential growth and employment in the EU. By removing unjustified or disproportionate barriers, simplifying the regulatory framework and facilitating the modernisation of public administrations in Member States, the adoption and subsequent implementation of the Services Directive has been a crucial milestone in achieving these goals. There is however room for further gains by further removing unjustified or disproportionate barriers at national level, which is of paramount importance at a time of subdued economic growth. The Council therefore WELCOMES the work done by the Commission to assess the economic impact of the implementation of the Services Directive, following the invitation from the Ecofin Council in the Conclusions of 16 February 2010 on the deepening of the EU Single Market.

2. The Council TAKES NOTE of the results of the Commission study showing significant gains of up to 0.8% of GDP at the EU average level from the current implementation of the Directive. However, the study also points to further gains of up to 1.8 percentage point of GDP, as well as additional trade and FDI, from farther reaching implementation. This is due to the rather heterogeneous state of actual implementation and regulatory systems and traditions across Member States and the still insufficient transposition in some countries, in spite of the 2009 deadline, leading to artificial market segmentation, limited competition and insufficient exploitation of economies of scale and scope in the EU's Single Market for services. Against this background, the Council RECALLS the importance of a consistent implementation of the existing provisions of the Directive, notably with regard to business and professional services, construction, tourism, and retail sectors, and to further remove remaining unjustified or disproportionate obstacles at national level such as those revealed by the mutual evaluation exercise, including reserves of activity, professional qualifications, capital ownership, legal form requirements and insurance obligations, where appropriate. These, in fact, hamper both international trade and investment and domestic production in the services sectors covered by the Directive.

3. The Commission study also finds that economic gains are realised through the domestic channel, thus through the direct impact on domestic firms of the removal of remaining restrictive and anti-competitive rules and the large simplification effort undertaken by Member States including the set-up of Points of Single Contact. The Council therefore UNDERLINES the importance for Member States to continue improving their own national regulatory framework in which services activities operate domestically with a view to reaping all potential gains of the Services Directive.

4. Further, EU rules need to be clear and consistent so as to provide citizens and businesses with the legal security they need to buy or sell services across borders as they do in their domestic markets. The Council therefore WELCOMES the Commission’s intention to issue guidance on non discrimination under Article 20 of the Services Directive.

5. The Council STRESSES that the correction of macroeconomic imbalances within EU countries could also gain from further liberalization efforts, through strengthened domestic demand and potential growth in all Member States. Indeed, additional adjustment and growth in the services sectors, coming from the elimination of non-justified entry barriers and regulation hampering competition and improvements in the business environment, would help accompanying the ongoing structural adjustment in several Member States and compensate for employment losses in other sectors.

6. Finally, the Council EMPHASISES that growth-enhancing structural reforms must come to the forefront of the policy agenda in all Member States. The Internal Market is still one of the most important tools the EU has to deliver growth in Europe. The Council STRESSES in this respect the importance of swift adoption of the measures in the Single Market Act I, of correct and timely transposition of all Single Market legislation, and of improving quality and consistency of legislation. Supply-side policies enhancing market competition, such as the implementation of the Services Directive, are needed to support efficient and flexible markets and promote growth. The Council moreover CALLS UPON the Member States and the Commission to strengthen the governance and enforcement capacity of the Single Market for services and to prioritise initiatives in this area. In this regard, the Council WELCOMES the report and proposals that the Commission has presented to the June European Council on the Services Directive. The Council CALLS on the Commission to present further measures as part of the Single Market Act II to improve the functioning of services markets, in particular network-infrastructure based services. Finally, the Council UNDERLINES that reforms with short- to medium-term growth benefits consistent with ongoing fiscal consolidation efforts in the EU, such as regulatory improvements in services sectors, should be pursued with priority."

Financial assistance to Ireland

The Council adopted a decision amending decision 2011/77/EU on the granting of financial assistance to Ireland, following the sixth review by the Commission, the IMF and the European Central Bank of Ireland's progress in implementation of agreed measures (*11071/12*).

Impact assessments in the Council

The Council was informed of arrangements agreed by the Permanent Representatives Committee to improve the handling of assessments of the economic and fiscal impact of certain major legislative proposals.

JUSTICE AND HOME AFFAIRS

Visa facilitation agreements

The Council adopted a decision approving the signature of an agreement with the Republic of Moldova on the facilitation of the issuance of visas *(10871/12)*, amending the current agreement which entered into force on 1 January 2008[1].

TRADE POLICY

EU-Korea FTA: Civil society forum

The Council adopted a decision establishing the position to be taken by the EU within the EU-Korea committee on trade and sustainable development as regards the operation of a civil society forum and the list of persons who could be called to serve on a panel of experts.

The committee on trade and sustainable development was set up under the EU-Korea free trade agreement (FTA), which was signed in October 2010 and provisionally applied as of 1 July 2011. The FTA provides that the joint committee should decide within one year on the operation of the civil society forum.

TRANSPARENCY

Public access to documents

The Council approved:

– the reply to confirmatory application made by Mr Tony Bunyan (No 12/c/01/12) (*9902/12*)

– the reply to confirmatory application No 14/c/01/12 (*10345/12*)

[1] In accordance with EU legislation, Denmark, Ireland and the United Kingdom did not take part in the adoption of the decision and therefore are not required to apply the agreement.