



## **ECONOMIC AND FINANCIAL AFFAIRS COUNCIL**

### **Friday 17 May in Brussels**

*Proceedings will start with the economic and financial dialogue between the EU and the Western Balkans and Turkey at 8:30. Ministers of both blocks as well as the current and two incoming presidencies will hold a thematic discussion on "structural reforms to attract foreign direct investment and increase resilience" and will adopt joint conclusions. This will be followed by a breakfast meeting at 10:00 to discuss the **economic situation**, the possibility for **the EIB to develop country strategies**, **excise duties** and the issue of **VAT carousel fraud**. The Council should start at 11:10. It will be followed by a ministerial working lunch.*

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

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Ministers will discuss international issues. They will hold a debate on digital taxation in the international context. The Council Presidency and the Commission will present the main outcomes of the G20, IMF and World Bank spring meetings and launch preparations for the G20 meeting on 8-9 June in Fukuoka (Japan). The Finnish delegation and the Commission will present the outcome of the first meeting of the coalition of finance ministers for climate actions.

The Council will try to reach a political agreement on a set of new excise duty rules applicable in the EU regime. Ministers will discuss the general arrangements for excise duty and the specific regime applicable to alcohol and alcohol beverages.

The Council is expected to adopt conclusions on the outcomes of the in-depth reviews and the implementation of the 2018 country-specific recommendations in the framework of the European Semester exercise for 2019.

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*The Eurogroup will meet at 15:00 in a regular format. It will discuss the macroeconomic situation. The Eurogroup will then meet at 16:00 in an inclusive format to discuss the reform of the Economic and Monetary Union, in particular on aspects related to the euro-area budget instrument.*

#### **Press conferences:**

- after the Eurogroup (*Thursday evening*);
- at the end of the Council (*Friday after the ministerial working lunch*).

[Press conferences and public events by video streaming](#)

[Video coverage in broadcast quality \(MPEG4\) and photo gallery](#)

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

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. The Council discussed the package of measures at its ECOFIN meeting in March 2019 but some issues required further work before agreement could be reached on these dossiers.

### **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.

Ministers will seek to settle the remaining outstanding issues, in particular the quantitative limit for exemption from excise duty or reduced rates for small home distilleries, and reach a political agreement on the file.

### **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.

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.

## **International meetings**

### **G20 and Spring IMF and World Bank meetings**

The presidency and the Commission will report on international finance meetings held in Washington DC, in April 2019, namely:

- a G20 finance ministers and central bank governors meeting on 11-12 April;
- IMF's and World Bank's Spring meetings, on 8-14 April.

The G20 meeting featured discussions on the risks to the economic outlook, in view of the global growth slowdown and global imbalances and population ageing, infrastructure investment as well as international cooperation in the area of taxation and financial reforms.

Ministers will also start preparations for the G20 finance ministers' meeting on 8-9 June in Fukuoka (Japan).

### **Coalition of finance ministers for climate action**

The Finnish delegation and the Commission will inform delegations on the first meeting of the coalition of finance ministers for climate action on 13 April.

The "[coalition of finance ministers for climate action](#)" was launched in the context of the World Bank and IMF spring meetings by finance ministers from more than twenty countries. The coalition is aimed at driving stronger collective action on climate change and its impact. Finance ministers endorsed a set of six common principles, known as the "Helsinki principles" that promote national climate action, especially through fiscal policy and the use of public finance.

More specifically, the Helsinki principles aim at:

- aligning policies and practices with the Paris Agreement commitments;
- sharing experience and expertise in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action;
- working towards measures that result in effective carbon pricing;
- taking climate change into account in macroeconomic policy and fiscal planning;
- mobilising private sources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation;
- engaging actively in the preparation and implementation of "nationally determined contributions" submitted under the Paris agreement.

Finance ministers of Finland and Chile were appointed co-chairs of the coalition of finance ministers for climate action.

## Digital taxation in the international context

Ministers will hold a policy debate on current international tax reforms, with a view to preparing the OECD and G20 debates.

Various views expressed by ministers will be fed by the presidency into the preparations of the G20 finance ministers meetings of June in Fukuoka where the OECD is expected to report progress on reforming international corporate taxation. The ECOFIN Chair intends to present the outcome of ECOFIN discussions at the G20 meeting.

On the basis of a Presidency note and Commission issues paper, ministers will assess possibilities to prepare negotiations in the OECD on the ongoing international debate on long-term comprehensive solutions addressing both the challenges of taxation in the digitalised economy and broader issues related to the allocation of taxing rights and tax competition.

Businesses active in the digital sector are sometimes perceived not to pay their fair share of taxes in all countries where they are active, since their activities do not necessarily require a physical presence. Current tax rules, which were designed for traditional businesses, are therefore challenged by new business models and by the digitalisation of the economy.

At EU level, work has been ongoing since March 2018 on a common system of a digital services tax on revenues resulting from the provision of certain digital services. Following the ministerial debate in March 2019 and the lack of unanimous agreement on the proposal, Presidency confirmed that work would continue on a two-track approach:

- The Council and member states jointly continue to work towards an agreement on a global solution at OECD level by 2020 to address the tax challenges of the digitalisation of the economy.
- In the event that by the end of 2020, it appears that the agreement at OECD level is bound to take more time, the Council could, as necessary, revert to discussing a possible EU approach to the tax-related challenges arising from digitalisation.

In addition, the proposal on significant digital presence is also still on the table of the Council for future follow-up.

Efforts are ongoing at international level to respond to such challenges. The OECD has taken up work on this issue in the framework of its "Task Force on digital economy" and has published an [interim report](#) in March 2018 which provides an analysis of value creation across new and changing business models in the context of digitalisation and the tax challenges they present.

Since then, the task force has intensified its work on the basis of [concrete proposals](#) and public consultations have been conducted. The last meeting of the task force took place in December 2018. The OECD is expected to publish a detailed work programme in view of the June 2019 at the Fukuoka G20 meeting. The task force aims at producing a final report by 2020.

## 2019 European Semester - conclusions on country reports

The Council will adopt conclusions on the outcomes of the in-depth reviews and the implementation of the 2018 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 country-specific recommendations which the Council agreed last year.

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 time, 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.

The [conclusions](#) to be adopted by the Council draw upon the Commission's findings. They welcome the high quality and comprehensive analysis that has been carried out. They also highlight the remaining vulnerabilities, in particular linked to persisting stock imbalances which reduce the room for absorbing future negative economic shocks. The draft conclusions however consider that in some cases for further improvements in the communication of the reasons for changing or activating the imbalance categorisation would be welcome.

As regards implementation, the draft conclusions concur with the Commission's assessment that there is room for improvement, in particular as regards fostering investment and productivity performance, as the more uncertain economic climate creates more urgency to complete reforms.

Issues that ministers could exchange views on include the most pressing reform priorities, the best way to tackle low productivity and low potential growth in a context of deteriorating cyclical conditions and the role to be played by National Productivity Boards in raising awareness of policy gaps and in shaping policy.

[Letter from the EFC president to the ECOFIN president on the review of the Commission's in-depth reviews and the country reports, 6 May 2019](#)

## 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;  
[May 2019 note on financial services legislative proposals](#)
- **Priorities of the next institutional cycle in the ECOFIN area:** the Presidency will inform ministers on the follow-up to the discussions on priorities for the next institutional cycle, held at the January ECOFIN and the April informal ECOFIN meetings.

As points without discussion, the Council is expected to:

- **approve an update to the list of non-cooperative jurisdictions:** the Council should decide to remove Aruba, Barbados and Bermuda from the list;  
[May 2019 note to Council on the EU list of non-cooperative jurisdictions \(8828/19\)](#)  
[Council webpage on the EU list of non-cooperative jurisdictions](#)

Over lunch, ministers will discuss:

- **challenges linked to labour mobility.** They will reflect on possible solutions compatible with the freedom of movement from the ECOFIN perspective;
  - **the way forward on the architecture of the economic and monetary union.** They will have an exchange of views, on the basis of a Presidency note, to provide clarity on the way forward in the legislative work that has not yet been addressed.
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