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3646th Council meeting

Economic and Financial Affairs

Brussels, 6 November 2018

President **Hartwig Löger**
Federal Minister for Finance of Austria

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¹ • 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.

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ITEMS DEBATED

DIGITAL SERVICES TAX

Ministers held a **policy debate on the proposal to establish a digital services tax**. The discussion focused on two key issues of the Commission proposal, namely the scope of taxable services and the question of the expiry of the directive - the so-called "sunset clause".

As regards the sunset clause, all member states agree that the directive should expire once there is a comprehensive solution to taxing digital economy at OECD level. While the proposal has been thoroughly discussed at technical level and **progress has been achieved on a number of issues**, such as definitions, tax collection, or administrative cooperation, divergences in member states' position remain, including on the exact scope of services to be subject to the future tax.

The Presidency concluded that the issue would be revisited at the Council meeting of 4 December 2018.

Current tax rules were designed for the traditional economy and do not apply to activities that require no physical presence in the country where customers are. As a result, businesses active in the digital sector are perceived not to pay their fair share of taxes in all countries where they are active.

For the time being there is no agreement at international level on how to respond to such challenges. The OECD has taken up work on this issue and has published an [interim report](#) in March 2018. Its "Task Force on digital economy" aims at producing a final report by 2020. As some EU member states have started taking unilateral measures to address the problem, which could create double taxation disputes and distortions within the EU's single market, the issue has been taken up at EU level.

The digital services tax (DST) was proposed by the Commission on 21 March 2018, as part of a [package of measures](#) to better address taxation of the digital economy. It is meant as an **interim solution** aimed at addressing the most urgent gaps and loopholes in the taxation of digital activities, while ensuring a level playing field for all businesses.

According to the Commission's proposal, the DST would apply to companies with total annual worldwide revenues of €750 million and annual EU revenues of €50 million. The DST would be applied a rate of 3%. The Commission has estimated that under such parameters, member states could generate about €5 billion in revenues per year.

In the framework of the May 2018 Presidency [digital taxation roadmap](#), it was agreed to give priority to Council's discussions on the DST. "digital taxation package".

[October 2018 presidency note to the Council on the digital services tax](#)

CLIMATE FINANCE - COP 24

The Council adopted **conclusions on the financing aspects of climate change ahead of the COP24 conference** on climate change which will be held in Katowice (Poland) from 3 to 14 December 2018.

The draft conclusions call for swift and ambitious progress on making finance flows consistent with the objectives set by the Paris agreement and stress the importance of carbon pricing in shifting financial flows towards green and sustainable investments.

The EU and its member states have committed to scale up their financial contribution, as part of industrialised countries' efforts to help developing countries reduce their greenhouse gas emissions and cope with the impacts of climate change. They remain the **largest provider of public climate finance and have contributed €20.4 billion in 2017**.

The overarching mandate for the COP24 was adopted in the form of Council conclusions on climate change at the Environment Council of 9 October 2018. The Katowice conference will follow up on a global agreement reached at COP21 in Paris in December 2015, with a focus on implementation of the commitments and the completion of the Paris Agreement Work Programme.

The Paris agreement is a global instrument that contains both legally binding and voluntary elements. It was signed in New York in April 2016 by 195 countries, including the EU and its 28 member states, and more countries have signed since then.

The agreement seeks to keep the increase in the global average temperature to well less than 2°C above pre-industrial levels, and to pursue efforts to limit it to 1.5°C. Countries submit national action plans to reduce greenhouse gas emissions ('mitigation'), which will gradually increase in ambition over time. Under the plans, 'nationally determined contributions' are communicated every five years and the parties must report on implementation.

[Council conclusions on climate finance ahead of COP 24 conference](#)

[Council conclusions on climate change, 9 October 2018](#)

IMPLEMENTATION OF 2017 BUDGET

The president of the Court of Auditors, Klaus-Heiner Lehne, presented the Court's annual report on management of the EU's general budget.

The report, which was issued on 4 October 2018, covers the EU's budget for 2017. It gives a clean opinion on the reliability of the 2017 accounts of the European Union.

The Court concludes that the revenue for 2017, taken as a whole, was legal and regular, as in previous years. As regards payments, it issues for the second year in a row a qualified (rather than an adverse) opinion.

There has been a sustained improvement in the estimated level of error in payments over the last few years, from 4.4% in 2014 to 2.4% in 2017. Moreover, in 2017, over half of the audited expenditure examined was free from material error.

Problems remain where payments from the EU budget are made to beneficiaries based on their declarations of costs previously incurred, such as in rural development and cohesion.

The Court's assessment will be the basis for a discharge to be given to the Commission for implementation of the 2017 budget. The Council is expected to issue a recommendation in February 2019. It will then be for the European Parliament to decide if it can grant a discharge to the Commission.

Managing the EU budget is the responsibility of the Commission, along with other EU institutions and bodies. But for roughly two-thirds of expenditure – principally on agriculture and cohesion policy – that responsibility is shared with the member states.

EU spending totalled €137.4 billion in 2017. This amounts to around 0.9% of EU gross national income and represents approximately 2% of total public spending in EU Member States.

[Court of Auditors report on implementation of the EU's 2017 budget](#)

EU STATISTICS

The Council adopted conclusions on the use of European official statistics in the context of the EU's economic governance framework.

Council conclusions on EU statistics are part of a yearly exercise, where the Council examines reports prepared by various EU statistical bodies and institutions. The conclusions review progress achieved on the priorities for EU statistics that the Council established the previous year, and provide guidance on further work. In particular, they look into statistics used for the excessive deficit procedure, surveillance of macroeconomic imbalances, and structural statistics.

High quality, comparable and reliable statistics are of key importance to EU economic policy-making, and in particular for the EU economic surveillance procedures. EU policies rely on a variety of statistics that require the timely submission of high quality socio-economic statistical data.

Since 2006, the Council has once a year taken stock of work to assess statistical needs and improve statistics in the framework 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.

In 2016, Eurostat and the European Central Bank signed a memorandum of understanding on how to work together to improve the quality of statistics and ensure their comparability.

Council conclusions on EU statistics (13865/18)

G20 AND IMF MEETINGS IN BALI - FOLLOW UP

The presidency and the Commission reported on international finance meetings held in Bali, in October 2018, namely:

- a G20 finance ministers and central bank governors meeting on 11-12 October;
- IMF annual meetings, on 12-14 October.

The G20 meeting featured discussions on the risks to the global economic outlook, the international financial architecture, as well as exchanges on the financing of infrastructure development and the G20 compact with Africa. It was the last G20 ministerial meeting under the Argentinian presidency, with Japan taking over on 1 December 2018.

OTHER BUSINESS

– *Financial services*

The presidency updated ministers regarding work on legislative proposals in the field of financial services. The Commission also reported on the implementation of adopted legislation.

[November 2018 progress report on financial services legislative proposals](#)

MEETINGS IN THE MARGINS OF THE COUNCIL

– ***Eurogroup***

Ministers of the eurozone member states attended a meeting of the Eurogroup on 5 November.

In regular format, ministers looked into the state of play of the ongoing assessment of euro area member states' draft budgetary plans for 2019. In particular, they discussed the opinion issued by the Commission on Italy's draft budgetary plan. Terms of reference on the issue were published at the end of the meeting.

Ministers also held a thematic discussion on financial stability in the Economic and Monetary Union and exchanged views on euro-area aspects of the banking union.

In an inclusive format, the Eurogroup continued preparations ahead of the December Euro Summit.

The president of the Eurogroup informed ministers on the outcome of the October Euro Summit, which assessed the state of play of the ongoing work on the deepening of the Economic and Monetary Union.

The Eurogroup then discussed the reform of the European Stability Mechanism, the common backstop and the work on the roadmap for beginning political discussions on the European deposit insurance scheme.

[Eurogroup main results](#)

– ***Meeting with EFTA finance ministers***

Ministers met their counterparts from the EFTA countries: Iceland, Liechtenstein, Norway and Switzerland.

They discussed challenges and opportunities of fintech for the financial sector and economic growth.

– ***Ministerial breakfast***

Ministers held a breakfast meeting to discuss the economic situation in the EU. They also discussed the annual report of the European Fiscal Board.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

VAT rates for electronic publications

The Council adopted a directive allowing member states to apply reduced, super-reduced or even zero VAT rates to electronic publications.

The directive aims at aligning VAT rules for electronic and physical publications, thereby contributing to the EU's 'digital single market' plan.

The new rules will apply temporarily, pending the introduction of a new, 'definitive' VAT system.

For more information, see [press release](#).

Taxation - non-cooperative jurisdictions

The Council approved a number of amendments to its conclusions of December 2017 on the EU's list of non-cooperative tax jurisdictions.

These include the removal of Namibia from the list, which is contained in annex I of the conclusions. As Namibia has made commitments at a high political level to remedy EU concerns, it will be moved to annex II of the conclusions and the implementation of the commitments will be carefully monitored.

For more information, see [press release](#).

VAT - quick reaction mechanism

The Council adopted a directive prolonging until 30 June 2022 the possibility for member states:

- to apply the reverse charge mechanism to combat existing fraud in supplies of goods and services included in article 199a(1) of the VAT directive;
- to use the quick reaction mechanism to combat fraud. ([12033/1/18](#), [13021/18](#))

Exports credits

The Council adopted two decisions setting out positions to be taken on behalf of the EU in the 140th session of the meeting of the participants in the OECD Arrangement on Officially Supported Export Credits.

The first position will aim at including cable cars and trolleybuses in the scope of the Arrangement's understanding on export credits for rail infrastructure. ([13104/18](#))

The second position will aim at adoption of a decision concerning the request from Turkey to become a participant to the Arrangement. ([13105/2/18](#))

VAT - derogation for Slovenia

The Council decided not to object to a derogation for Slovenia to the common system of value added tax.

The Council therefore authorised Slovenia to continue to exempt from VAT taxable persons whose annual turnover is no higher than €50 000. ([13173/18](#), [12984/18](#))

BUDGET

Mobilisation of the European Globalisation Adjustment Fund for Greece

The Council adopted a decision mobilising €2.3 million under the European Globalisation Adjustment Fund (EGF) to provide support to 550 workers made redundant in the "publishing activities" sector in Attica. The redundancies are the result of the continuation of the global financial and economic crisis in Greece ([13196/18](#)).

The EGF helps workers to find new jobs and develop new skills when they have lost their jobs as a result of changing global trade patterns, e.g. when a large company shuts down or a factory is moved outside the EU, or as a result of the global financial and economic crisis. The help of the EGF consists in co-financing measures such as job-search assistance, careers advice, tailor-made training and re-training, mentoring and promoting entrepreneurship. It also provides one-off, time-limited individual support, such as job-search allowances, mobility allowances and allowances for participating in lifelong learning and training activities.

FOREIGN AFFAIRS

Relations with Uzbekistan

The Council adopted the provisional agenda of the 14th meeting of the EU-Uzbekistan Cooperation Council, that will take place in Brussels on 22 November 2018. The agenda includes general and political matters, trade, economic and investment issues, key aspects of the envisaged EU Central Asia strategy, as well as regional and international issues.

[EU relations with Uzbekistan](#)

[EU delegation to Uzbekistan](#)

Relations with Tajikistan

The Council adopted the provisional agenda of the 7th meeting of the EU-Tajikistan Cooperation Council, that will take place in Brussels on 22 November 2018. The agenda includes key aspects of the EU-Tajikistan Partnership and Cooperation, political issues, economic issues, as well as regional and international issues.

[EU relations with Tajikistan](#)

[EU delegation to Tajikistan](#)

Relations with Albania

The Council adopted the common position of the European Union for the tenth meeting of the EU-Albania Stabilisation and Association Council under the Stabilisation and Association Agreement (SAA), which will take place in Brussels on 14 November 2018.

The SAA provides the contractual framework within which the EU and Albania intensify their co-operation and take stock of developments in their relationship. The agenda for the meeting includes discussions on the pre-accession strategy, to support Albania in the EU integration process in light of the criteria for membership, as well as an exchange of views on developments in the Western Balkans and other international issues of common interest.

[EU relations with Albania](#)

[EU delegation to Albania](#)

EU as Permanent Observer in the Pacific Community

The Council approved the participation of the Union as a Permanent Observer in the Pacific Community.

The Pacific Community (SPC) currently counts 26 members and was established under the Canberra Agreement in 1947. It is the main regional implementing organisation and plays an active role for inclusive regional development, cooperation and integration in the Pacific.

The Permanent Observer status represents an opportunity for the EU to increase the coherence and efficiency, as well as to enhance the quality, visibility and impact of the activities of the Union and SPC in areas such as climate change, disaster risk reduction, fisheries, trade development, sustainable energy, culture, human rights and deep sea minerals.

[EU relation with the Pacific region](#)

Restrictive measures on Venezuela

The Council decided to extend the targeted restrictive measures on Venezuela until 14 November 2019. These sanctions will be kept under review, and might be renewed or amended, if the Council deems that their objectives have not been met.

Since 13 November 2017, the Council has had targeted restrictive measures in place on Venezuela. These include an embargo on arms and on equipment for internal repression, together with restrictive measures (travel ban and an asset freeze) on 18 individuals involved in non-compliance with democratic principles and the rule of law as well as in serious human rights violation. The restrictive measures aim to help foster democratic shared solutions that can bring political stability to the country and allow it to address the pressing needs of the population.

For more information, see [press release](#).

[Council conclusions on Venezuela, \(press release, 28/05/2018\)](#)

[Delegation of the European Union to Venezuela](#)

Restrictive measures on the Democratic People's Republic of Korea

The Council aligned its restrictive measures against the Democratic People's Republic of Korea (DPRK) with the sanctions imposed by the UN Security Council (UNSC) Committee established by UNSC resolution 1718 (2006). Further additional information regarding some of the vessels targeted by an asset freeze, a port entry ban or de-flagging measures was published by the UNSC Committee. EU sanctions were amended accordingly.

The EU implements all UN Security Council resolutions adopted in response to the DPRK's nuclear programmes and nuclear weapons, other weapons of mass destruction and ballistic missile programmes. In addition, the EU has imposed autonomous restrictive measures against the DPRK, complementing and reinforcing the UN sanctions regime.

[EU restrictive measures against North Korea](#)

[EU-Democratic People's Republic of Korea \(DPRK\) relations, factsheet](#)

Relations with Australia

In the context of the EU-Australia Framework Agreement signed on 7 August 2017, the Council adopted a common EU position regarding the rules of procedure of the Joint Committee established by the agreement; as well as the terms of reference of its sub-committees and working groups.

The Joint Committee is tasked with promoting the effective implementation of the EU-Australia Framework Agreement. This agreement aims at building on an existing solid cooperation basis and enabling the further promotion and expansion of relations between the EU, its Member States and Australia across a broad range of areas of mutual interest, such as foreign policy and security issues, international trade, development and humanitarian change, and environment and climate change.

[EU relations with Australia](#)

[EU delegation to Australia](#)

TRADE

EU-Japan cooperation in the field of food additives

The Council authorised an exchange of letters between the Head of the Delegation of the European Union to Japan and the Director General of the Economic Affairs Bureau in the Ministry of Foreign Affairs of Japan setting out the mutual intention to cooperate in the field of food additives.

The Council also noted that the European Parliament will be informed.

JUSTICE AND HOME AFFAIRS

Conclusions on Court of Auditors report on tackling radicalisation

The Council adopted conclusions on the European Court of Auditors special report 13/2018 entitled "Tackling radicalisation that leads to terrorism: the Commission addressed the needs of Member States, but with some shortfalls in coordination and evaluation" ([13112/18](#)).

Schengen evaluation

The Council adopted an implementing decision setting out a recommendation on addressing the deficiencies identified in the 2017 evaluation of **Croatia** in view of fulfilling the conditions necessary for the application of the Schengen acquis in the field of **management of the external border** (revisit). (13902/18)

Visa for third country nationals - codification

The Council adopted a codification of the regulation listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement.

The codification is the compilation into a single act of Council regulation 539/2001 and all existing amendments to it. Codifications do not include any changes to the substance of the acts.

Eurojust regulation

The Council formally adopted an amended Eurojust regulation.

For more information, see [press release](#).

Regulation on the mutual recognition of freezing orders and confiscation orders

The Council formally adopted the regulation on the mutual recognition of freezing and confiscation orders.

For more information, see [press release](#).

EPPO - designation of the interim administrative director

The Council issued a favourable opinion to the Commission's proposal to designate Mr Olivier Salles as interim administrative director of the EPPO.

For more information on the EPPO, see our [policy page](#).

AGRICULTURE

International Organisation of Vine and Wine: EU position

The Council adopted a decision establishing the position to be taken on behalf of the EU with regard to certain resolutions to be voted at the 16th General Assembly of the International Organisation of Vine and Wine (OIV), to be held in Punta del Este (Uruguay), on 23 November 2018. The Council also noted that the European Parliament will be informed in accordance with Article 218(10) TFEU.

TRANSPORT

International Civil Aviation Organisation (ICAO) – High Level Security Conference

The Council approved three working papers for the upcoming ICAO High Level Conference on Aviation Security ([12999/18](#)). The conference will take place on 29 to 30 November 2018 in Montréal.

ICAO Council - EU common positions

The Council approved an information note for use as the basis for the interventions of the representatives of the EU member states which are members of the ICAO (International Civil Aviation Organisation) Council ([13262/18](#)). The note is part of the preparations of the ICAO Council's next meeting, which will take place in Montréal from 29 October to 16 November 2018.

The positions concern items of EU interest in the areas of strategic objectives, aviation safety and air navigation, aviation security and facilitation, economic development of air transport as well as environmental protection.

Professional qualifications in inland navigation – adoption of standards

The Council adopted a decision to be taken on behalf of the EU in the European Committee for drawing up Standards in the field of Inland Navigation (CESNI) and in the Central Commission for the Navigation on the Rhine (CCNR) ([12523/18](#), [12349/18](#) and [12437/18](#)). The position relates to standards concerning professional qualifications in inland navigation.

CESNI will meet on 8 November in Prague. The date of the CCNR meeting deciding on this matter is not known yet.

Inland waterway vessels – technical requirements

The Council adopted a decision on the position to be taken on behalf of the EU in the European Committee for drawing up Standards in the field of Inland Navigation (CESNI) and in the Central Commission for the Navigation on the Rhine (CCNR) ([13490/18](#)). The position relates to the adoption of standards concerning technical requirements for inland waterway vessels.

CESNI will meet on 8 November in Prague. The date of the CCNR meeting deciding on this matter is not known yet

INTERNAL MARKET AND INDUSTRY

UNECE - EU position

The Council adopted the EU position regarding a number of new technical regulations for motor vehicles due to be adopted at the next meeting of the United Nations Economic Commission for Europe (UNECE) from 12 to 16 November 2018. ([13073/18](#))

RESEARCH

PRIMA - Agreement with Morocco

The Council decided to conclude an agreement between the EU and Morocco on the terms and conditions for the latter's participation in the Partnership for Research and Innovation in the Mediterranean Area. ([6534/18](#))

EMPLOYMENT

Annual Employment Performance Report and Employment Performance Monitor

The Council endorsed the key messages from the Employment Committee (EMCO) to accompany the Annual Employment Performance Report (AEPR) and Employment Performance Monitor (EPM). ([12690/18](#) + [ADD1](#) and [ADD2](#))

The key messages highlight the main employment trends identified by the Employment Committee. The Committee underlines positive trends in the European labour markets, while also pointing out challenges particularly regarding the participation of groups that continue to be under-represented in the labour market.

The key messages are intended to guide the preparatory work for the 2019 Annual Growth Survey.

SOCIAL POLICY

2018 Annual Review of the Social Protection Performance Monitor

The Council endorsed the key messages from the Social Protection Committee (SPC) on key social challenges based on the 2018 Annual Review of the Social Protection Performance Monitor ([12920/18](#) and [12921/18](#))

The key messages highlight the development of important social indicators. They emphasise improvements thanks to the economic recovery and the reform efforts. At the same time, the review identifies negative trends, such as deteriorations in the depth of poverty, in-work poverty and rises in the at-risk-of-poverty rates.

The key messages are intended to guide the preparatory work for the 2019 Annual Growth Survey.

CULTURE

Review of AVMS Directive

The Council adopted its first-reading position on a draft directive ([PE-CONS 33/18](#)) modifying a directive on the provision of audiovisual media services. ([ST 13052 2018 REV 1](#))

Denmark, the Netherlands, the Czech Republic, Finland and Ireland voted against, and Luxembourg and the United Kingdom abstained ([ST 13052 2018 ADD1](#)).

For more information, see [press release](#).

TRANSPARENCY

Public access to documents

On 6 November 2018, the Council approved the replies to confirmatory applications

- No 23/c/01/18 (doc. 11743/18).
 - No 24/c/01/18 (doc. 11812/18).
 - No 25/c/01/18 (doc. 12038/18).
-