

## **ECONOMIC and FINANCIAL AFFAIRS COUNCIL**

### **Friday 12 February in Brussels**

The Council will be called on to adopt conclusions, on the basis of a Commission action plan, setting out plans to strengthen measures against **terrorist financing**.

It will discuss proposals from the Commission aimed at preventing corporate **tax avoidance**.

The agenda also includes implementation of **banking union**, preparation of a **G20** meeting and issues related to the **EU budget**.

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Proceedings will start on Thursday 11 February with a dialogue on macroeconomic issues, starting at 10.30, with the social partners: employers and trade unions at EU level and representatives of public enterprises and SMEs. The dialogue will focus on the general economic outlook and the 2016 European Semester policy coordination process.

The **Eurogroup** will meet on Thursday 11 February at 15.00. It will discuss the economic situation in the euro area (in the light of the Commission's winter economic forecast), implementation of Greece's economic adjustment programme, Portugal (draft budgetary plan for 2016, post-programme surveillance) and the international role of the euro. The Eurogroup will also hold a thematic discussion on the quality of public finances.

On Friday 12 February at 9.00, ministers will hold a breakfast meeting. They will discuss the economic situation, in the light of the winter forecast.

The Council meeting is scheduled to start at 10.00.

A taxation agreement with **Andorra** is due to be signed after the Council, scheduled for 14.00.

#### **Press conferences:**

- after the Eurogroup meeting (Thursday evening);
- at the end of the Council (Friday afternoon).

[Eurogroup agenda highlights](#)

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

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

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<sup>1</sup> This note has been drawn up under the responsibility of the press office.

## Measures to prevent corporate tax avoidance

The Commission will present a package of proposals, issued on 28 January 2016, aimed at strengthening EU rules to prevent corporate tax avoidance.

The Council will hold an exchange of views on the proposals and on a timetable for work on the package, set out in a note from the presidency.

The package is intended as a coordinated EU response to aggressive tax practices deployed by large companies. It sets out to ensure that companies are effectively taxed where they make their profits, improve the exchange of information between member states and ensure fairer competition for all businesses.

It also sets out to implement standards approved by the OECD in autumn 2015, particularly to address tax base erosion and profit shifting (BEPS).

Substantial progress on the package is a priority for the Netherlands presidency, especially as concerns two legislative proposals. Swift implementation will make the EU a front-runner in implementing OECD conclusions.

The package is composed of:

- a communication on next steps for delivering effective taxation and greater tax transparency in the EU;
- a proposal for a directive establishing rules to tackle some of the most prevalent tax avoidance practices, and implementing anti-BEPS measures developed by the OECD;
- a proposal to amend directive 2011/16/EU as concerns the mandatory and automatic exchange of information between tax administrations. This proposal sets out to implement an OECD standard on the exchange between national authorities, on a country-by-country basis, of tax-related information on the activities of multinational companies. It will enable the member states to identify risks of tax avoidance and to better target their tax audits;
- a communication proposing a common approach to third country jurisdictions for good governance in tax matters. This communication proposes that good tax governance clauses be inserted in agreements with third countries, and that a common EU approach be developed for assessing and listing third countries for tax purposes. It also proposes that the link be reinforced between the investment of EU funds and good tax governance in third countries.
- a recommendation to member states on the best ways to protect their tax treaties against abuse.

Presentation by the Commission of its proposals follow a number of initiatives taken in 2015, including adoption by the Council of a directive on cross-border tax rulings. This directive imposes the exchange of information on the assurances given by member states to companies about how their taxes will be dealt with.

Adoption of the two directives requires unanimity for adoption by the Council, after consulting the European Parliament. (Legal basis: articles 113 and 115 of the Treaty on the Functioning of the European Union.)

- [January 2016 Commission communication on effective taxation and tax transparency](#)
- [January 2016 proposal for a directive on rules against tax avoidance practices](#)
- [January 2016 proposal to amend directive 2011/16/EU on the exchange of tax information](#)
- [January 2016 Commission communication on an external strategy for effective taxation](#)
- [January 2016 recommendation on measures to prevent tax treaty abuse](#)

## Implementation of banking union

The Commission will provide a brief update on implementation of Europe's banking union.

The Council has regularly reviewed the situation since mid-2015, as member states ran up delays in implementing common rules.

The delays led the Commission to refer a number of member states to the Court of Justice over their failure to transpose a directive on bank recovery and resolution.

Implementation has now improved, which enabled the EU's single resolution mechanism (SRM) for banks to become operational on 1 January 2016. The single resolution fund (SRF), into which national resolution funds of the participating countries will gradually merge part of their funds, entered into force at the same time.

As of 5 February 2016:

- 20 member states, including all of the current 19 members of the banking union, had deposited their instruments of ratification of an intergovernmental agreement IGA on the SRF;
- three of the 19 member states of the banking union had signed a loan facility agreement on bridge financing for the SRF;
- 24 of the 28 member states had fully transposed the bank recovery and resolution directive, whilst the four others had partially transposed it;
- 21 of the 28 member states had fully transposed the directive on deposit guarantee schemes.

The banking union currently comprises of the 19 countries of the euro area, whilst 7 other member states have also indicated their intention to join.

The two directives apply to all 28 member states.

The IGA contains provisions on the transfer of contributions to the SRF and the mutualisation of those contributions over an eight-year period. A sufficient number of member states had ratified the IGA by the agreed deadline of 30 November 2015, enabling it to enter into force on 1 January 2016, as scheduled.

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.

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

- [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](#)

## Measures to prevent terrorist financing

The Commission will present an action plan, issued on 2 February 2016, strengthening efforts to prevent the financing of terrorism.

The Council will hold an exchange of views and will be called on to adopt conclusions.

The action plan is intended as a strong and swift response to current challenges following recent terrorist attacks. It builds on existing EU rules and practices, adapting them to new threats and in line with international standards. In doing so, it sets out to strike a balance between the need for increased security and protecting economic freedoms and citizens' rights.

The plan complements the Commission's "European agenda on security", published in April 2015, and other recent measures. These include a December 2015 proposal for a directive on terrorism, which provides for criminal sanctions for terrorist financing. In November and December 2015, the Justice and Home Affairs Council, the Economic and Financial Affairs Council and the European Council all highlighted the need for rapid further action to address terrorist financing.

Work is proceeding meanwhile at the UN and in a number of other international bodies.

The draft conclusions set out the Council's views on the priorities set out in the Commission's plan. They call for rapid progress in particular in, but not limited to:

- the field of virtual currencies;
- strengthening access to information by financial intelligence units (FIUs), such as bank and payment account information;
- appropriate measures on prepaid payment instruments;
- measures against illicit cash movements.

The draft conclusions specify in detail a number of other initiatives to be taken, both legislative and non-legislative, setting deadlines for action. They commit the Council and the member states to a number of urgent steps, taking stock regularly at future meetings.

The Commission's action plan consists of two main strands of action:

- tracing and preventing the movement of terrorist funds;
- disrupting the sources of terrorist funding.

A timetable for action is included in annex to the plan.

- [Factsheet on the February 2016 action plan on the prevention of terrorist financing](#)
- [February 2016 Commission action plan for strengthening the fight against terrorist financing](#)

## **Preparation of G20 meeting in Shanghai**

The Council is expected to endorse EU terms of reference for a meeting of G20 finance ministers and central bank governors in Shanghai from 25 to 27 February 2016.

The terms of reference, prepared by the Economic and Financial Committee, constitute a common position for EU representatives and those member states that participate in the G20. The presidency participates on behalf of the EU, together with the Commission and the European Central Bank.

The Shanghai meeting is expected to cover the global economy, the G20 framework for growth, investment and infrastructure, international financial architecture, financial regulation, taxation issues, terrorist financing and green finance and climate finance.

It will be the first meeting under Chinese presidency. The 2016 G20 summit will take place in Hangzhou in September.

## **EU budget - Discharge for 2014**

The Council is expected to adopt a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the EU's general budget for 2014.

The recommendation has been prepared in the light of the annual report from the Court of Auditors.

The Council is also due to adopt recommendations on the discharge to be given to the directors of 32 EU agencies, six EU executive agencies and eight joint undertakings for implementation of their 2014 budgets.

The recommendations also refer to Council comments on a series of Court of Auditors special reports.

They require a qualified majority for adoption by the Council. (Legal basis: article 319 of the Treaty on the Functioning of the European Union).

- [Draft Council recommendation on the 2014 budget discharge](#)
- [Court of auditors annual report on management of the EU's general budget in 2014](#)
- [Draft Council 2014 discharge recommendation to the agencies](#)
- [Draft Council 2014 discharge recommendation to the executive agencies](#)
- [Draft Council 2014 discharge recommendation to the joint undertakings](#)

## **EU budget - Guidelines for 2017**

The Council is due to adopt conclusions setting its priorities for the EU's general budget for 2017.

The conclusions will be used by the presidency as a reference for budgetary negotiations with the European Parliament. They will also be forwarded to the Parliament and the Commission and the other EU institutions.

The draft conclusions call for a realistic 2017 EU budget where the level of both commitments and payments are kept under strict control. Sufficient margins should be left under the ceilings of the EU's multiannual financial framework (MFF) for 2014-2020 to allow it to react to unforeseen events.

The draft conclusions:

- recall that the successive crises that the EU faced in 2015 have put its budget under strong pressure;
- forecast that similar constraints and uncertainties can be expected for the budgetary year 2016;
- predict that the budgetary procedure for 2017 will take place in a context of budget constraints for several member states;
- assert that the EU budget should notably seek to boost growth, promote employment and create jobs.

The Council will therefore call for the right balance to be struck between fiscal consolidation and investments to boost growth. This could be achieved especially through the prioritisation of objectives. Care should be taken to provide the necessary resources to respect commitments already made.

The draft conclusions note that the backlog of unpaid bills are decreasing faster than expected. The level of unpaid payment applications amounted to €24.7 billion at the end of 2014. According to the Commission, the backlog of unpaid bills amounted to €8.2 billion at the end of 2015, compared to an expected amount of around €20.0 billion.

The Council will call for the EU's administrative expenditure to be further rationalised. It will urge all institutions, bodies and agencies to reduce or freeze their administrative expenditure as much as possible.

- [Draft Council conclusions on priorities for the 2017 budget](#)

## **EU budget - Own resources**

The chairman of a high-level group reviewing the EU's budgetary own resources, Mario Monti, will update the Council on the group's work.

The Council will hold an exchange of views.

The group was set up as part of a political agreement on the multiannual framework for the EU's financial resources for the 2014-20 period. It is undertaking a general review of the EU's system of own resources, guided by the overall objectives of simplicity, transparency, equity and democratic accountability. The group meets at least once every 6 months.

National parliaments will be invited to an interinstitutional conference in 2016 to assess the outcome of the group's work. The Commission will then assess whether new own resources initiatives are warranted for the period after 2020.

## Other items

Under "other business", the Council will be updated as concerns work on legislative proposals on financial services.

Without discussion, it is expected to approve the signing of an agreement with **Andorra** aimed at improving tax compliance by private savers. The agreement will require EU member states and Andorra to automatically exchange information on financial accounts held by each other's residents. The signing ceremony is scheduled for 14.00, after the Council.

- [February 2016 secretariat note on progress on financial services legislative dossiers](#)
  - [EU-Andorra February 2016 agreement on the taxation of savings income](#)
  - [Draft decision on the signing of the EU-Andorra February 2016 taxation agreement](#)
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