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Economic and Financial Affairs

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

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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>).
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ITEMS DEBATED

VAT FRAUD – 'REVERSE CHARGE' MECHANISM

The Council discussed a proposal that would allow member states to apply temporarily a generalised reversal of VAT liability in order to better prevent VAT fraud.

It was unable to reach agreement at this stage. The issue is set to be discussed again at the October Ecofin meeting.

The so-called 'reverse charge' mechanism involves shifting liability for VAT payments from the supplier to the customer. The proposal was submitted at the request of member states particularly affected by VAT fraud.

The directive would offer a short-term solution for containing fraud, pending implementation of a new VAT system under which supplies will be taxed in the country of destination. It would apply to all domestic supplies of goods and services above an invoice threshold of €10 000.

The Council needs unanimity to adopt the directive, after consulting the European Parliament. (Legal basis: article 113 of the Treaty on the Functioning of the European Union.) The Parliament has not yet delivered its opinion.

[May 2018 note on the draft directive on a generalised VAT reverse charge mechanism](#)

[VAT reverse charge mechanism - Council webpage](#)

VAT RATES FOR ELECTRONIC PUBLICATIONS

The Council discussed a proposal allowing member states to apply reduced VAT rates to electronic publications.

It was unable to reach agreement at this stage. The issue is set to be discussed again at the October Ecofin meeting.

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

Under the current VAT rules (directive 2006/112/EC), electronically supplied services are taxed at the standard VAT rate, i.e. a minimum of 15%, whereas publications on a physical support may benefit from non-standard rates.

For physical publications – books, newspapers and periodicals – member states currently have the option of applying a 'reduced' VAT rate, i.e. a minimum of 5%. Some have been authorised to apply 'super-reduced' VAT rates (below 5%) or 'zero' rates (which involve VAT deductibility).

The new rules will apply temporarily, pending the introduction of a new, 'definitive' VAT system. The Commission has submitted proposals for the new system, which would allow member states more flexibility in setting VAT rates than at present.

The directive will be adopted without further discussion once the text has been finalised in all official languages.

[May 2018 note on the draft directive on VAT rates applicable to electronic publications](#)

[Reduced VAT for e-publications - Council webpage](#)

PRESIDENCY WORK PROGRAMME

The Austrian presidency presented its priorities for economic and financial affairs (Ecofin) for its term of office, which runs from June to December 2018.

In the area of Ecofin, the Austrian presidency has identified four main priorities:

- completing the banking union and developing a capital markets union. In particular, the AT presidency will strive for an agreement on the banking package.
- deepening and strengthening economic policy coordination, by strengthening stability, resilience and compliance in the framework of the stability and growth pact.
- improving efficiency and fairness in taxation. The AT presidency will aim at advancing negotiations on the digital tax and on the Commission proposal on the common corporate tax base, and at achieving progress on the proposals for modernising VAT.
- provision of financial resources and preparation of the 2019 EU budget.

[2018 Austrian presidency work programme](#)

FOLLOW-UP TO THE JUNE EUROPEAN COUNCIL

Ministers discussed the relevant conclusions of the European Council of 28 and 29 June 2018 on economic and financial matters, in particular the way forward on the different work strands for the following months.

Ministers discussed the conclusions on taxation matters. Point 15 of the European Council conclusions states that "ensuring fair and effective taxation remains a key priority. In that context, the fight against tax avoidance, evasion and fraud must be vigorously pursued both at global level (notably in the OECD) and within the EU. At the same time, there is a real need to adapt our taxation systems to the digital era. The Council should therefore take work forward on the Commission proposals on digital taxation. Work should also continue on how to ensure effective VAT collection, including swift progress on the Commission proposals on short-term measures."

Ministers also touched upon matters relating to the banking union that were discussed in the framework of the Euro Summit statement. Point 1 of the statement states in particular that "The agreement in the Council on the banking package should allow the co-legislators to adopt it before the end of the year while preserving the overall balance. Adhering to all elements of the 2016 roadmap in the appropriate sequence, work should start on a roadmap for beginning political negotiations on the European Deposit Insurance Scheme."

[European Council conclusions - 28-29 June 2018](#)

[Euro Summit statement - 29 June 2018](#)

[Letter by Eurogroup President to the European Council President ahead of the Euro Summit, 25 June 2018](#)

G20 MEETING IN BUENOS AIRES

The Council finalised discussions ahead of a meeting of G20 finance ministers and central bank governors in Buenos Aires on 21 and 22 July 2018.

The presidency will participate on behalf of the EU, together with the Commission and the European Central Bank.

The 2018 G20 summit is scheduled to take place in Buenos Aires on 30 November and 1 December.

OTHER BUSINESS

– *Financial services*

The presidency updated ministers regarding work on legislative proposals in the field of financial services.

[July 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 12 July.

They were briefed by the Eurogroup President on the outcome of the June Euro Summit.

Ministers also discussed the economic situation and outlook for the euro area, in the light of the Commission's summer interim forecast.

In preparation for the euro-area member states' draft budgetary plans for 2019, ministers had an exchange of views on the budgetary situation and prospects for the euro area.

The Commission and the ECB presented the main findings from their post-programme surveillance missions to Ireland and Spain, which took place in May and April 2018 respectively.

In the margins of the Eurogroup meeting, the representatives from the euro area members states, the European Central Bank and Denmark met in the presence of the European Commission and Bulgaria to discuss the prospects of Bulgaria's participation in the ERM II.

The participants in the meeting adopted a statement.

[Eurogroup main results](#)

– ***Ministerial breakfast***

Ministers held a breakfast meeting to discuss the economic situation, in the light of the Commission's summer interim forecast, the US tax reform and MFF-related sectoral proposals (European investment stabilisation function, reform support programme and InvestEU fund).

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Economic governance - 2018 European semester

The Council issued its 2018 recommendations and opinions to member states on their economic, employment and fiscal policies. The recommendations had been endorsed by the European Council in June.

The overall objective of this year's recommendations is to encourage member states to use the current favourable economic momentum to further strengthen the resilience of their economies.

See [press release](#).

Securitisation

The Council confirmed that it had no intention to object to the delegated act submitted by the Commission as regards the calculation of regulatory capital requirements of securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings.

This delegated act supplements the Solvency II directive, which regulates the supervision and prudential regime for insurance and reinsurance undertakings. ([9667/18](#))

INTERNATIONAL TRADE

Trade with New Zealand

The Council adopted a decision on the conclusion of an agreement between the EU and New Zealand relating to modifications to the schedule of Croatia in the course of its accession to the EU. The modifications concern in particular the EU's tariff rate quotas for beef and New Zealand's tariff rate quotas for sheepmeat. ([10862/18](#), [10672/17](#))

FOREIGN AFFAIRS

Relations with South Korea

The Council adopted a decision on the conclusion of a Protocol to the Framework between the EU and Republic of Korea to take account of the accession of Croatia to the EU.

[2010 EU-Korea Framework Agreement](#)

EU-CELAC ministerial meeting

The Council approved the state of preparations of the EU-CELAC ministerial meeting, including the draft agenda and the draft joint statement pending further negotiations. The meeting will take place on 16 and 17 July.

[EU-CELAC ministerial meeting](#)

EU-Cuba relations

The Council approved the arrangements for the five EU-Cuba political dialogues. The launch of the EU-Cuba political dialogues was agreed at the first EU-Cuba Joint Council meeting on 15 May 2018. They cover the following areas:

- countering the proliferation of weapons of mass destruction,
- control of conventional arms,
- coping with unilateral coercive measures,
- the implementation of Agenda 2030 for sustainable development and
- human rights.

[EU-Cuba Joint Council meeting, 15 May 2018](#)

[EU-Cuba relations, factsheet](#)

COMMON SECURITY AND DEFENCE POLICY

EUCAP Sahel Niger mission

The Council extended the mandate of the EUCAP Sahel Niger mission to 30 September 2018.

EUCAP Sahel Niger was launched in 2012 to support the Nigerien security actors' capacity-building efforts. The mission provides advice and training to support the Nigerien authorities in strengthening their security capabilities. It contributes to the development of an integrated, coherent, sustainable, and human rights-based approach among the various Nigerien security agencies in the fight against terrorism and organised crime. On 18 July 2016 the mission's mandate was amended to also assist the Nigerien central and local authorities, as well as the security forces, in developing policies, techniques and procedures to better control and address irregular migration.

DEVELOPMENT COOPERATION

Post-Cotonou

The Council decided to make public the negotiating directives for the future agreement between the EU and the African, Caribbean and Pacific (ACP) countries. The Council adopted its negotiating mandate on 22 June 2018. Negotiations are expected to start by the end of August 2018.

[EU - African, Caribbean and Pacific countries future partnership: Council adopts negotiating mandate, 22 June 2018](#)

GENERAL AFFAIRS

Reform of the Electoral Act

The Council adopted a decision amending the Act concerning the election of the members of the European Parliament by direct universal suffrage, annexed to Council decision 76/787/ECSC, EEC, Euratom of 20 September 1976 ([9425/18](#); statements: 10824/10 ADD 1).

For more information, see press releases:

[EU electoral law: new rules adopted by the Council](#) (13 July 2018)

[European Parliament elections: Council reaches agreement on a set of measures to modernise EU electoral law](#) (7 June 2018)

EU-China Ocean Partnership

The Council authorised the Commission to sign the 'Declaration on the establishment of a Blue Partnership for the Oceans: towards better ocean governance, sustainable fisheries and a thriving maritime economy between the European Union and the People's Republic of China' (10640/18).

JUSTICE

EPPO - operating rules of the selection panel

The Council adopted today the operating rules of the selection panel ([10413/18](#)) to be set up for the selection of the European chief prosecutor and of European prosecutors in the context of the creation of the European Public Prosecutors' Office (EPPO).

The selection panel is to be comprised of 12 persons that are to be chosen from former members of the Court of Justice and the Court of Auditors, former national members of Eurojust, members of national supreme courts, high-level prosecutors and lawyers of recognised competence. One of the persons chosen is to be proposed by the European Parliament.

The operating rules of the selection panel are meant to ensure that the selection panel has the necessary independence and impartiality to carry out its work.

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

HOME AFFAIRS

European border and coast guard agency - EU-Albania agreement

The Council adopted a decision ([10285/18](#)) approving the signing of a status agreement with Albania on actions carried out by the European border and coast guard agency in Albania ([10290/18](#)). It also decided to forward the draft decision on the conclusion of this agreement to the European Parliament for its consent ([10302/18](#)).

The purpose of such an agreement is to allow the European border and coast guard agency to coordinate operational cooperation between member states and a third country with respect to management of the external borders. In this respect, the agency may carry out actions at the external borders involving one or more member states and a third country neighbouring at least one of those member states, subject to the agreement of the neighbouring country, including on the territory of that third country.

Migration - readmission

The Council confirmed the agreement reached and approved the EU position on a joint document on procedures for the identification and readmission of migrants presumed to be Ivorian nationals staying irregularly in the EU, with a view to allowing its conclusion on the EU side.

SOCIAL POLICY

European Social Fund

The Council decided not to object to a Commission regulation concerning the definition of standard scales of unit costs and lump sums for reimbursement of expenditure by the Commission to Member States under the European Social Fund ([regulation no 1304/2013](#)) ([9652/18](#) + [9652/18 COR 1](#) + [9652/18 ADD 1](#)).

The Commission regulation is a delegated act pursuant to article 290 of the EU treaty. It can now enter into force unless the European Parliament objects.

INTERNAL MARKET

Chemicals (REACH) - nanoforms - substances used in textiles and footwear

The Council did not oppose the adoption by the Commission of regulations amending annexes to the [REACH regulation](#) (regulation 1907/2006 on the registration, evaluation, authorisation and restriction of chemicals) as regards:

- nanoforms ([8980/18](#) and [8980/18 ADD 1](#)), and
- dangerous substances used in the manufacturing of clothing, textiles and footwear ([8976/18](#) and [8976/18 ADD 1](#)).

The draft Commission regulations are subject to the regulatory procedure with scrutiny. This means that now that the Council has given its consent, the Commission may adopt them, unless the European Parliament objects.

Non-road mobile machinery

The Council decided not to object to a Commission regulation concerning emission limits and type-approval for internal combustion engines for non-road mobile machinery.

The regulation will improve the technical and general requirements relating to emission limits and type-approval for internal combustion engines for non-road mobile machinery in line with the experience gained by industry and member states with the first type-approvals of engines.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It now can enter into force, unless the European Parliament objects.

FISHERIES

Memorandum of understanding on the conservation of migratory sharks: EU position

On behalf of the European Union, the Council approved the position that the EU and its member states will take at the third meeting of the signatories to the Memorandum of Understanding (MoU) on the Conservation of Migratory Sharks. This meeting will take place in Monaco, Principality of Monaco, from 10 to 14 December 2018.

The European Union, Belgium, Denmark, Germany, Italy, the Netherlands, Portugal, Romania, Sweden and the United Kingdom are signatories to the Sharks MoU, which is a non-legally binding multilateral instrument that was signed in November 2011 and is related to the Convention on the Conservation of Migratory Species of Wild Animals.

Small-scale fisheries in the Mediterranean and Black Sea: High-Level Conference on the Regional Plan of Action

The Council agreed on the text of a draft declaration as the position of the European Union and its member states for the High-Level Conference on Sustainable Small-Scale Fisheries in the Mediterranean and the Black Sea that will take place on 25 and 26 September 2018 in Malta. This conference aims at endorsing a ministerial declaration adopting a Regional Plan of Action for Small-Scale Fisheries, which was one of the objectives set out in the MedFish4Ever declaration of March 2017.

The draft declaration includes commitments concerning small-scale fisheries to cooperate in the following areas: scientific research, data collection, management measures, value chain, inclusion in the participative decision-making process, capacity-building, work conditions, role of women, and climate and environment.

The Council also authorised the Commission to sign the declaration on behalf of the EU.

ENERGY

Joint Statement on the Implementation of the EU-China Cooperation on Energy

The Council adopted a decision which authorises the signature by the Commission, on behalf of the European Union, of a Joint Statement on the Implementation of the EU-China Cooperation on Energy.

TRANSPARENCY

Public access to documents

On 13 July 2018, the Council approved the reply to confirmatory application No 13/c/01/18 (doc. 9839/1/18 REV 1).
