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THE EUROPEAN UNION

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2666th Council meeting

Economic and Financial Affairs

Luxembourg, 7 June 2005

President **Mr Jean-Claude JUNCKER**
Prime Minister, Ministre d'Etat, Minister for Finance

P R E S S

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Main Results of the Council

*The Council noted that the conditions had now been met to enable the rules on **taxation of savings** to enter into force on 1 July 2005.*

*It approved a Directive designed to prevent **money laundering**, in particular for the purposes of funding terrorism, and a general approach on a draft Directive reinforcing the transparency obligations relating to **company accounts.** It also closed the excessive deficit procedure initiated last year for the **Netherlands**.*

*The Council made statements on the broad **economic policy** guidelines for 2005-2008, on the rules rela*ting to euro coins and on the reliability of statistics used in evaluating the budgetary situation of the *Member States.*

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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.
- The documents whose references are given in the text are available on the Council's Internet site http://ue.eu.int.
- 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 abovementioned Council Internet site or may be obtained from the Press Office.

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PARTICIPANTS

The Governments of the Member States and the European Commission were represented as follows:

Belgium:	
M. Didier REYNDER	Deputy Prime Minister and Minister for Finance
Czech Republic:	
Bohuslav SOBOTKA	Minister for Finance
Denmark:	
Mr Thor PEDERSEN	Minister for Finance
Germany:	
Mr Hans EICHEL	Federal Minister for Finance
Estonia:	
Mr Aivar SÕERD	Minister for Finance
Greece:	
Mr Georgios ALOGOSKOUFIS	Minister for Economic Affairs and Finance
Spain:	
Mr Pedro SOLBES MIRA	Second Deputy Prime Minister and Minister for Economic Affairs and Finance
France:	
Mr Thierry BRETON	Minister for Economic Affairs, Finance and Industry
Ireland:	
Mr Brian COWEN	Minister for Finance
Italy:	
Mr Domenico SINISCALCO	Minister for Economic Affairs and Finance
Cyprus:	
Mr Iacovos N. KERAVNOS	Minister for Finance
Latvia:	
Mr Oskars SPURDZIŅŠ	Minister for Finance
Lithuania:	
Mr Zigmantas BALČYTIS	Minister for Transport and Communications
Luxembourg:	
Mr Jean-Claude JUNCKER	Prime Minister, Ministre d'Etat, Minister for Finance
Mr Luc FRIEDEN	Minister for Justice, Minister for the Treasury and the Budget, Minister for Defence
Mr Jeannot KRECKÉ	Minister for Economic Affairs and Foreign Trade, Minister for Sport
Hungary:	
Tamás KATONA	Political State Secretary, Ministry of Finance
Malta:	
Mr Lawrence GONZI	Prime Minister and Minister for Finance
Netherlands:	
Mr Gerrit ZALM	Deputy Prime Minister, Minister for Finance
Austria:	
Mr Karl-Heinz GRASSER	Federal Minister for Finance
Poland:	
Mr Wiesław SZCZUKA	State Secretary, Ministry of Finance
Portugal:	
Mr Luís CAMPOS E CUNHA	Minister for Finance and Public Administration
Slovenia:	
Mr Andrej BAJUK	Minister for Finance

Slovakia:	
Mr Vladimír TVAROŠKA	State Secretary at the Ministry of Finance
Finland:	
Mr Antti KALLIOMÄKI	Deputy Prime Minister and Minister for Finance
Sweden:	
Pär NUDER	Minister for Finance
United Kingdom:	
Mr Gordon BROWN	Chancellor of the Exchequer

Commission:	
Mr Joaquín ALMUNIA	Member
Mr László KOVÁCS	Member
Ms Dalia GRYBAUSKAITÉ	Member

Other participants:	
Mr Lucas PAPADEMOS	Vice-President of the European Central Bank
Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Caio KOCH-WESER	Chairman of the Economic and Financial Committee
Mr Jan Willem OOSTERWIJK	Chairman of the Economic Policy Committee

The Governments of the acceding States were represented as follows:

Bulgaria:	
Mr Milan VELCHEV	Minister for Finance
Romania:	
Mr Ionel POPESCU	Minister for Finance

ITEMS DEBATED

FISCAL STATISTICS

The Council adopted the following conclusions:

"The Ecofin Council of 2 June 2004 concluded that there is a need "to develop minimum European standards for the institutional set-up of statistical authorities" and "to review priorities of the statistics and to reduce (legal) requirements for areas which are now considered to be of less importance." The Ecofin Council expected proposals on these issues by June 2005.

In its Communication "Towards a European Governance Strategy for Fiscal Statistics" of 22 December 2004, the Commission proposed three lines of action: building up the legislative framework; improving the operational capacities of the relevant Commission services; and establishing European-wide standards on the independence, integrity and accountability of national statistical institutes. The Ecofin Council of 17 February 2005 welcomed the Communication and emphasised a set of principles that should guide future work on improving statistical governance. The Council underlined that "the core issue remains to ensure adequate practices, resources and capabilities to produce high-quality statistics at the national level. It is the responsibility of Member States to ensure that their national statistical offices have sufficient resources to function effectively." Furthermore, the Ecofin emphasised that the "independence of Eurostat for the fulfilment of its mission should be enhanced and formally established to clarify the internal statistical governance of the relevant Commission services." The Ecofin report on improving the implementation of the Stability and Growth Pact, which was endorsed by the European Council on 23 March 2005, reinforced this need to develop statistical governance. [1]

On 2 March 2005, the Commission adopted a proposal for a Council Regulation amending Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure. The Commission adopted on 25 May 2005 a Communication to the European Parliament and to the Council spelling out its ideas on improving the governance of Eurostat and the European statistical system as well as principles for the setting of statistical priorities. Furthermore, the Commission issued a Recommendation on the independence, integrity and accountability of the national and Community statistical authorities.

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[1] According to the Ecofin report from 20 March 2005: "The core issue remains to ensure adequate practices, resources and capabilities to produce high-quality statistics at the national and European level with a view to ensuring the independence, integrity and accountability of both national statistical offices and Eurostat. Furthermore, the focus must be on developing the operational capacity, monitoring power, independence and accountability of Eurostat."

The Ecofin Council broadly welcomes the suggested course of action as well as most of the proposed elements, and would like to emphasise the following:

- With a view to the discussions in the Council Working Group Statistics (STATIS) and in the EFC Subcommittee on Statistics, the Commission has now also put forward more details on the envisaged implementation of the in-depth visits. Based on this, these visits should more appropriately be called "methodological visits". Legal clarification on the visits conducted by Eurostat in terms of new obligations for the Member States is needed to enable them to endorse the envisaged Regulation. The conduct of these possible methodological visits will be based on close co-ordination amongst all the relevant fora involved, in particular the EFC. In this context, it is important to ensure that the possible methodological visits should not go beyond the purely statistical domain, which should be reflected in the composition of the delegations. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording. Further precisions are expected in the upcoming Commission document on these visits. The practical modalities should be discussed with the relevant fora. They will be made public when the Council Regulation is adopted. Furthermore, there is still scope for further discussion on some aspects such as statistical confidentiality. In this context, there is the need to strike the right balance between the benefits in terms of improved statistical quality and the costs in terms of added administrative burden at the EU and national level. "Dialogue visits" should be the rule. Methodological visits should only be undertaken in cases where Eurostat identifies substantial risks or potential problems about the methods, concepts and classifications applied to the data, which Member States are obliged to report. These visits will be particularly relevant in case of possible upcoming important decisions, concerning a Member State, that will be taken on the basis of reported fiscal data. These visits should be confined to the national authorities involved in the excessive deficit procedure reporting. The draft Regulation should be amended accordingly.

- In the event that Eurostat expresses any reservation on the data by Member States, these reservations should be communicated to the Member States in due time before the publication of the assessment. This has to be balanced against the tight schedule for Eurostat which disposes only of a time span of three weeks to examine the EDP data of 25 Member States. The Council therefore considers that Eurostat should communicate any possible reservation three working days (instead of the five working days in the current draft version) ahead of the publication. Article 16 of the draft regulation should be adjusted accordingly.

- In Articles 10 and 11 of the draft Regulation, the consultation of the CMFB is referred to. The role, areas of competence and functioning of this committee as well as its interaction with Eurostat including the communication policy of the eventual Eurostat decisions should be evaluated. The EFC should report on its findings to the Ecofin Council by the end of 2005.

- National Statistical offices' capacity to meet high statistical standards depends crucially on the ability to prioritise the burden from EU statistical requirements on authorities. Priority setting in this respect would also need to be conducive to a reduced regulatory burden on respondents, simplified legislation and the freeing up of resources for new statistical developments. The Council therefore welcomes the on-going work, which Eurostat initiated, to reduce statistical requirements agreed upon prior to the EMU Action Plan. This work will be further facilitated by the principles, put forward by the Commission, to identify positive and negative priorities. Relevance for EU and EMU-policy making should be the overarching benchmark for assessing future and existing European statistical requirements. Furthermore, benefits and costs should be carefully balanced and be reflected in the method and implementation details. It is vital that work on this important area is accelerated. The work should fully take into account the detailed proposals which the Task Force Improved Priority Setting in its final report presented to 53rd meeting of the SPC in May 2004. The Council invites the EFC, with the assistance of Eurostat and the ECB, to provide by December 2005 an update on progress on a rebalancing of priorities.

- The Council welcomes the European Statistics Code of Practice adopted by the Statistical Programme Committee (SPC) on 24 February 2005 and the Commission Recommendation, putting forward ideas on how to monitor its implementation but notes that the practical details still need to be specified further. In particular, the Council welcomes the ideas of initiating a gradual approach over three years of self-assessments and peer review assessments resulting in an implementation report by the Commission, as well as the Commission's Recommendation promulgating the code of practice. The Recommendation should call for strong political and institutional support at all levels for the full implementation.

- The Council takes note of the Commission's intention to consider proposing the establishment of a high level advisory body with political visibility and power to enhance the independence, integrity and accountability of Eurostat and of the European Statistical System. In this context, it is important to discuss further the role and power of this body, its scope (Eurostat or the whole European Statistical System) and its composition as well as its relation to CEIES (European Advisory Committee on statistical information in the economic and social spheres).

- The professional independence and credibility of Eurostat stems much from its competence in statistics and its operational capacity to fulfil the tasks listed in the Commission Decision 97/281/EC on the role of Eurostat. For the fulfilment of its permanent professional tasks, Eurostat should have appropriate staff resources.

- Finally, the Council considers the above elements as parts of an overall package to enhance the quality of statistical data in the EU as well as to limit the administrative and regulatory burden on national statistical authorities. The Council calls upon all parties involved to follow-up vigorously on their commitments in order to make further progress on all elements of the package and to adopt soon the remaining legal instruments."

EURO COINS

– ***Authentication of coins***

The Council adopted the following conclusions:

"It is important for the public that euro coins in circulation are genuine and fit. In this context, the Council welcomes the Commission Recommendation concerning authentication of euro coins and handling of euro coins unfit for circulation.

The recommended procedures for the proper functioning of the relevant coin processing equipment are designed to ensure that the appropriate quantities of euro coins are authentic and that counterfeits as well as unfit euro coins and other euro coin-like objects are removed. The implementation of this procedure will contribute to the correct implementation of the relevant Community legislation.

Euro coins unfit for circulation may be submitted to euro area Member States by companies or individuals and should be reimbursed irrespective of national side, in line with the provisions of the Recommendation. Uniform handling fees should, in principle, be imposed for these submissions. However, small quantities of unfit euro coins should not be subject to fees, while Member States may also exempt companies which assist the authorities in withdrawing from circulation unfit coins. Reimbursement should be conditional upon appropriate packaging, while tests are recommended to check for the quantity, authenticity and visual appearance of the submissions."

– ***National obverse sides of coins***

The Council adopted the following conclusions:

"The Council welcomes the common guidelines for the national sides which the Commission adopted in its Recommendation of 3 June 2005 and which have been prepared in close cooperation with Member States.

In particular, the Council agrees on the following elements:

- Since euro coins circulate throughout the euro area, Member States should put a clear indication of the issuing Member State on the national side by means of the Member State's name or an abbreviation of it.

- Member States should refrain from repeating the denomination of the coin, or any parts thereof, or the currency name or its subdivision, on the national side, unless a different alphabet is used. The edge lettering of the 2-euro coins can bear an indication of the denomination, provided that only the figure "2" and/or the term "euro" are used.

- Member States should inform each other on the design of new national sides, including the edge letterings, before they formally approve these designs. To this effect, new designs should be forwarded to the Commission which will without delay inform the other Member States as appropriate.

These rules should apply to all future national sides and edge letterings of both normal and commemorative euro circulation coins issued after the adoption of these conclusions. No changes are required to existing national sides."

– ***Change to the common sides of the coins***

The Council adopted the following conclusions:

"The common side of the bi-colour coins (1- and 2-euro) and the "Nordic gold" coins (10-, 20- and 50-cent) currently represents the European Union before it was enlarged from 15 to 25 Member States in May 2004.

On the basis of new designs submitted by the Commission, the Council has therefore decided that the necessary technical preparations for the amendment of the common side of these coins should be completed so as to ensure that all EU Member States will in the future be represented. The common side of the smallest denomination coins (1-, 2- and 5-cent) represent Europe in the world and are not affected by the enlargement of the European Union.

By taking this decision on a timely basis, the Council wants to make certain that countries adopting the euro in the future, and possibly already as from 2007, will be able to mint coins with the new common side. The existing euro-area Member States will also change over to the new common side once they have completed all technical preparations.

The new common side will only be used for future coin production. All euro coins already in circulation remain perfectly valid and will not be replaced."

BROAD ECONOMIC POLICY GUIDELINES

The Council adopted a report, for the attention of the European Council at its meeting on 16 and 17 June 2005, on the Broad Economic Policy Guidelines (BEPG) to be drawn up for the Member States for 2005-2008. The BEPG will be adopted by the Council on the basis of the European Council's conclusions.

The Council stressed two priorities for action in the coming year:

- increasing Europe's ability to create jobs;

- raising productivity growth through more effective competition and better conditions for investment, especially in knowledge and innovation, against a background of growth and stability-orientated macroeconomic policies, and within a framework aimed at social cohesion and environmental sustainability.

The report was prepared by the Economic and Financial Committee, taking account of contributions from the Economic Policy Committee and the Permanent Representatives Committee.

EXCESSIVE DEFICIT PROCEDURE

– *Netherlands – Abrogation of the procedure*

The Council adopted a Decision abrogating its Decision of June 2004 on the existence of an excessive deficit in the Netherlands *(9776/05)*.

It welcomed the efforts made by the Netherlands authorities, which had succeeded in reducing their deficit of 3,2% of gross domestic product in 2003 to 2,3% in 2004, and the budget forecasts indicating a continuation in the same direction (2% in 2005 and 1,6% in 2006).

In 2003 the Netherlands' deficit had exceeded the maximum reference value of 3% of GDP laid down in the Treaty, and the Council had called on the Netherlands to correct the situation by this year at the latest.

FINANCING FOR DEVELOPMENT – MILLENNIUM DEVELOPMENT GOALS

The Council discussed the EU's strategy on the issues raised for the financing of development cooperation by the evaluation of the progress made since 2000 in achieving the millennium goals.

The strategy will be presented at the G8 meeting next month and also at a United Nations summit in New York from 14 to 16 September.

On the basis of a document drawn up jointly by the current Presidency (Luxembourg) and the next Presidency (United Kingdom), the discussion focussed on the optional nature of a levy on the purchase of airline tickets which had been proposed in order to contribute to the funds needed to achieve the official development aid targets. The Council asked the Commission to submit an analysis of all the issues involved in a (compulsory or optional) levy on the purchase of airline tickets.

The document examines the following matters:

- the new official development aid targets;
- innovatory sources of funding;
- the levy on airline tickets;
- the proposals concerning an international financing facility;
- multilateral debt reduction;
- how to ensure that aid is effective;
- the role of trade.

It will be remembered that at its "external relations" meeting on 23 and 24 May, the Council had approved intermediate collective targets following the commitments already given at international level for reaching a level of 0,7% of gross national income (GNI) in aid to developing countries in the medium term (and 0,39% of GNI in 2006).

The new goals involve the Member States raising the percentage to 0,56% by 2010, which means an additional amount of EUR 20 billion. Those that have not yet reached 0,51% have undertaken to do so by 2010, within their respective budget allocation processes, and those of the ten new Member States which have not yet achieved 0,17% will endeavour, within their respective budget allocation processes, to reach that level by 2010.

The Member States have undertaken to reach the 0,7% level by 2015, with the new Member States endeavouring to reach a level of 0,33% by that date.

MONEY LAUNDERING AND THE FINANCING OF TERRORISM

The Council agreed to a draft Directive on the prevention of the use of the financial system for the purpose of money laundering, including terrorist financing. It accepted all the amendments passed by the European Parliament at first reading.

The Directive will be adopted without discussion at a future meeting after the text has been finalised.

It is intended to replace Directive 91/308/EEC by extending its scope to the financing of terrorism and to persons and institutions not covered at present. The Directive seeks to implement the recommendations of a Task Force on Money Laundering set up by the G7.

The Directive will apply to natural or legal persons selling goods for payments in cash of EUR 15 000 or more, whether the transaction is carried out in a single operation or involves several clearly inter-linked operations.

The Member States will have to implement the Directive by 2007.

TAXATION

– *Taxation of savings*

The Council adopted the following conclusions:

"The Council recalled its conclusions of January 2003, June 2003 and June 2004 and its decision of 19 July 2004 to change the date of application of the Savings Tax Directive from 1 January 2005 to 1 July 2005.

The Council referred to the conditions provided for in Article 17(2) of the Savings Tax Directive and the corresponding Articles in the respective savings tax agreements between the Community and 5 European third countries (Andorra, Liechtenstein, Monaco, San Marino, Switzerland) and between the 25 Member States and the 10 relevant dependent or associated territories (Guernsey, Isle of Man, Jersey, Netherlands Antilles, Aruba, Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turcs and Caicos Islands) that the Member States and the other treaty partners shall apply the agreed savings tax measures from 1 July 2005 provided that all treaty partners apply the same measures (10 relevant territories) or equivalent measures (5 European third countries) from that same date.

The Council took stock of progress as regards the application of the Savings Tax Directive within the Community on the basis of a report from the Commission Services (9556/05 FISC 62). It concluded that all Member States had transposed the Savings Tax Directive into national law and were ready to apply the directive from 1 July 2005, subject to Article 17(2) of the Savings Tax Directive.

The Council also took stock of progress as regards the relations with the 5 European third countries and the 10 relevant dependent or associated territories on the basis of reports from the Commission Services (9557/05 FISC 63) and the Council Secretariat (9558/05 FISC 64). It concluded that all 40 treaty partners (25 Member States, 5 European third countries, 10 relevant territories) had notified that they were ready to (provisionally) apply the agreed savings tax measures from 1 July 2005 subject to Article 17(2) of the Savings Tax Directive and the corresponding Articles in the respective savings tax agreements [1];

In accordance with its conclusions of 12 April 2005, the Council verified the availability of written implementation guarantees received by the Council Secretariat (9536/05 FISC 60 + ADD 1).

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[1] In the case of the Kingdom of the Netherlands in relation to the Netherlands Antilles and Aruba, the Netherlands notified an internal "Law of the Kingdom" rather than two bilateral agreements, providing for the agreed savings tax measures to be applied between these parties from 1 July 2005, subject to Article 17(2) of the Savings Tax Directive and the corresponding articles in the savings tax agreements.

The Council took note of confirmations under Article 17(2) of the Savings Tax Directive and the corresponding Articles in the respective savings tax agreements, by all Member States, by the Netherlands on behalf of the Netherlands Antilles and Aruba, and by the United Kingdom on behalf of the 5 Caribbean Territories, that they shall (provisionally) apply the agreed savings tax measures from 1 July 2005, subject to an information I/A note by the Council Secretariat that the same confirmations have been received from all other treaty partners.

On that basis the Council invited the other treaty partners (Andorra, Liechtenstein, Monaco, San Marino, Switzerland, Guernsey, Jersey, Isle of Man) to confirm on their part under Article 17(2) of the Savings Tax Directive and the corresponding Articles in the respective savings tax agreements that they shall apply the agreed savings tax measures from 1 July 2005, subject to an information note by the Council Secretariat that the same confirmations have been received from all treaty partners. To facilitate this process all treaty partners will have access to the relevant information as electronically stored by the Council Secretariat."

– ***Rates of VAT***

The Council discussed the question of VAT rates and agreed that the minimum standard rate of 15% would continue to apply until 31 December 2010.

– ***Interest and royalties***

The Council considered a proposal extending the scope of Directive 2003/49/EC on interest and royalty payments made between associated companies.

Directive 2003/49/EC seeks to avoid obstacles to cross-border trade by eliminating the taxation at source of interest and royalty payments made between associated companies of different Member States. The proposed amendment updates the list of undertakings to which the Directive applies by including the companies of the ten new Member States and also specific legal entities such as the European Company and the European Cooperative Society.

The Council noted that the text of the Directive as prepared by the Presidency was acceptable to the vast majority of delegations.

– ***Consequences of Court of Justice judgments***

Over lunch, Ministers discussed the budgetary impact of judgments delivered by the Court of Justice in the field of taxation.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Annual accounts of companies

The Council approved a general approach, pending the European Parliament's first-reading opinion, on a proposal for a Directive aimed at strengthening investors' and shareholders' confidence in the annual and consolidated accounts of companies *(9588/05 ADD 1 and ADD 2)*.

The text provides for greater obligations to disclose information and for the collective responsibility of board members. It aims to supplement other Community measures, in particular the Commission's action plans for financial services and corporate governance.

While promoting the reliability of company accounts, the draft Directive has to find a balance to avoid overburdening companies with new administrative obligations, in particular small and medium-sized undertakings. The future Directive will amend the existing "Accounting Directives" (76/660/EEC and 83/349/EEC).

Business taxation – Code of conduct

The Council adopted the following conclusions:

"The Council

- Welcomes the progress achieved by the Code of Conduct Group (Business Taxation) as set out in its report (9427/05 FISC 55).

- Notes that the Code of Conduct Group has considered the proposed revised or replacement measures of the measures mentioned in paragraphs 22 to 24 and the Revenue from Stock Exchange operations measure referred to in paragraph 25 of 9427/05 FISC 55 against the established criteria of the Code of Conduct and has found that none of these are harmful within the meaning of the Code.

- Agrees that the proposed revised or replacement measures mentioned in paragraphs 12, 14, 15 and 17 of 9427/05 FISC 55 are adequate to achieve rollback of all the harmful features of the measures.

- Asks the Group to continue monitoring standstill and the implementation of rollback and report to the Council before the end of the United Kingdom Presidency."

EXTERNAL RELATIONS

Association Agreement with Romania – Joint Consultative Committee for regional authorities

The Council adopted a Decision approving the setting up of a Joint Consultative Committee within the EU-Romania Association Council to represent regional authorities *(9324/05, 1801/05)*.

The Committee will be charged with promoting dialogue and cooperation between the local and regional authorities of the EU and those of Romania. It will be composed of representatives of the EU Committee of the Regions and the Romanian Liaison Committee for Cooperation with the Committee of the Regions.