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**NOTE**

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from : General Secretariat of the Council  
to : Delegations  
Subject: Summary of the meeting of the European Parliament **Committee on Budget Control (CONT)**, held in Brussels on 12 January 2010

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The hearing of Mr Algirdas Šemeta, Commissioner-designate for Taxation and Customs Union, Audit and Anti-Fraud, was co-chaired by Mr de Magistris (ALDE, IT), chairman of the Committee on Budget Control, Mrs Bowles (ALDE, UK), chairwoman of the Committee on Economic and Monetary Affairs and by Mr Harbour (ECR, UK), chairman of the Committee on Internal Market and Consumer Protection.

In his introductory speech, Mr Šemeta namely announced that he would put taxation at the service of completion of the internal market, which was still, for the time being, incomplete, and requested the rapid elimination of fiscal obstacles. He stressed the importance of transparency in the use of EU funds, while referring to the need to simplify the rules related to these funds and define the level of tolerable risk of error. He also recalled the important role the European anti-fraud office (OLAF) has to play in this context. Lastly, he mentioned the possibility of installing fiscal incentive for promoting green industry and stressed the importance of interinstitutional cooperation in his future field of action.

The coordinators of the political groups of the Committee on Budgets, the chairmen of the other committees involved in the hearing and individual members followed the introductory intervention of Mr Šemeta.

The reform of the European anti-fraud office (OLAF) and the creation of the European Public Prosecutor Office, taxation and tax heavens, VAT fraud, monitoring the use of EU funds, Commissioners' code of conduct and counterfeiting were the main issues addressed in the questions put to Mr Šemeta.

*- Reform of OLAF and European Public Prosecutor*

Following questions put by several members (Ms Grässle -EPP, DE-, Mr Geier - S&D, DE-, Mr Chatzimarkakis - ALDE, DE-) on this issue, Mr Šemeta stressed the importance of OLAF's independence and efficiency and he considered that EU citizens were less concerned about the institutional setting of the OLAF, but more concerned about its efficiency. Moreover, he recalled the intention of the President of the Commission to put into practice his political guidelines and render OLAF fully independent and more efficient.

He also considered that it was necessary to move forward on the issue of the European Public Prosecutor, even though he acknowledged that this was a long term task.

*- Taxation and tax heavens*

Following questions put by Mr Brokos (ECR, HU), Mr Šemeta assessed positively the idea for a common consolidated corporate tax base (CCCTB) and considered that the future proposal (that would be presented shortly after the finalisation of the impact study) should be looked at from the perspective of small and medium sized enterprises (SMEs). When answering to Ms Korhola (EPP, FI), he also referred to the possibility of including a point related to CO<sub>2</sub> emissions into directive 2003/96/EC on taxation of energy products.

Answering to Mr Schmidt (ALDE, SV), he furthermore considered that fair fiscal competition was useful for taking the European Union forward, but recalled a number of damaging practices to be addressed, such as relocation of profits to avoid taxation. On banking secrecy, Mr Šemeta stressed the importance of automatic exchange of information between Member States.

On tax heavens (questions put by Ms Macovei - EPP, RO-, Mr Lamberts - Greens/EFA, BE-), he referred to the finalisation of the anti-fraud agreement between the EU and Liechtenstein that could serve as model for negotiating similar agreements with other third countries (Andorra, Monaco, San Marino and Switzerland).

*- VAT fraud*

Responding notably to Mr Staes (Greens/EFA, BE) and to Mr Farber (EPP, DE), Mr Šemeta considered that it was necessary to launch a new strategy for the European VAT system and that the current system allowed greater localisation of taxation in the country of destination. He also referred to the creation of the Eurofisc network for exchanging information on VAT fraud and to the role of OLAF.

*- Control of EU spending*

In response to Ms Macovei, Mr Søndergaard (GUE/NGL, DK) or Mr Audy (EPP, FR) on the correct execution and management of the Community budget, Mr Šemeta estimated that it was necessary to simplify the rules currently applicable to EU spending and to introduce a tolerable risk of error. He also stressed the need to improve the quality of the voluntary reports (annual statements of assurance) coming from national authorities.

Mr Šemeta promised to improve online information about recipients of EU funds, namely on NGOs, and considered that a European definition of NGOs was necessary. He also referred to the need to improve the efficiency of the projects funded from EU budget.

*- Commissioners' code of conduct*

Answering to Ms Macovei, Mr Šemeta promised to work closely with the other institutions in designing an updated code of conduct and to make sure that his fellow Commissioners comply with the rules for transparency. In his reply to Mr Søndergaard, he also manifested his willingness to meet the Budgetary Control Committee annually to discuss possible conflicts of interest related to the European Commission.

*- Counterfeiting*

Following questions put by Ms Stihler (S&D, UK) and Ms Bastos (EPP, PT), Mr Šemeta announced its intention to apply the 2009-2012 action plan against counterfeiting, which contained operational and legislative provisions and provisions for cooperation with industry. He also considered that, after 2012, the European Union should work in favour of an international agreement on combating counterfeiting.

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