

Results of the ECOFIN Council on 7 June 2006

Enlargement of the Euro area

The Council had an orientation debate on the convergence reports on Slovenia and Lithuania, which were published by the European Commission (EC) and European Central Bank (ECB) on 16 May.

For Slovenia, the EC and the ECB concluded that it has achieved a high degree of sustainable convergence and fulfils all necessary conditions to adopt the Euro in January 2007. For Lithuania, the EC and the ECB concluded that it also has reached a high degree of sustainable convergence by meeting the criteria as regards public finances, exchange rate stability and long term interest rates. However, Lithuania does not meet the criterion on price stability as low inflation has not yet been achieved in a sustainable manner. The EC therefore proposes that there should be no change to Lithuania's status as a Member State with a derogation pursuant to Article 122 (1) of the Treaty.

The Council shared the view of the EC and the ECB, as both reports are based on solid economic analysis, apply strictly to the Treaty criteria and ensure equal treatment of Member States. The main elements of the Council's discussion will be submitted as a report by the Presidency to the Council meeting in the composition of Heads of State or Government. Together with the convergence reports and the opinion of the EP, the Presidency's report will form the basis for the discussion of Heads of State or Government. The formal decisions will then be taken by the Council at its next meeting.

VAT package

After the orientation debate held on 5 May, the Council agreed on renewal of the value-added tax arrangements for e-commerce from 1 July until 31 December 2006

and to continue work on the other elements of the VAT package with the view of reaching a global agreement by the end of the year.

The other elements of the package, aimed at modernising and simplifying VAT rules in accordance with a specific timetable, are as follows:

- amending the rules on the place of supply of services (shift from the origin to the destination principle) to both, business to business (B2B) and business to consumers (B2C) transactions;
- establishing a "one stop shop" scheme for registration and declaration of VAT;
- amending the rules for the refund of VAT to taxable persons.

Combating tax fraud

The Council took note of the Commission's Communication concerning the need of a more co-ordinated strategy against fiscal fraud and of the oral report by the Commission on the technical work done regarding the application of a reverse charge system in the VAT area. The Council also agreed on an in-depth examination of the issues raised by the fraud communication, including possible legal changes to the VAT system. Furthermore the Commission was requested by the Presidency to present, as soon as possible, a proposal for a directive which would allow Member States the option of applying a reverse charge mechanism in case of domestic B2B supplies where the invoice amount exceeds 5.000 Euro.

Common consolidated corporate tax base

The Council took note of a report by the Commission on work undertaken so far in a technical working group, and of the Commission's communication on this issue.

There was broad agreement that the technical work should be continued aiming at assisting the Commission in preparing a legislative proposal.

Control of Community funds

Preventing fraud and irregularities is also a priority as regards the EU budget, as the European Court of Auditors has never given a positive Statement of Assurance for the implementation of the EU budget so far. There are several reasons for this circumstance, such as a complex management and control system, a lack of coordination between the EU and the Member States' level, or the complex and in-transparent rules and procedures. Whereas at the last meeting Ministers of Finance had an exchange of views with Commissioner Siim Kallas on the Action Plan towards an integrated internal control framework, today's discussion under participation of the President of the European Court of Audits was focused on how to further improve the co-operation between the national auditing authorities and the European Court of Auditors.

Fight against terrorist financing

Ministers of Finance had an exchange of views with the EU Counter Terrorism Co-ordinator, Gijs de Vries, on his six monthly report. Mr. de Vries welcomed the substantial progress achieved on strengthening the legislative framework to combat terrorist financing; most legislation in the European counter-terrorism strategy has now been achieved or is on track for completion in the every near future. In this context it was highlighted that all Member States have now ratified the UN Convention on the Suppression of Terrorist Financing and that work has progressed in the EP on the Regulation of funds transfers (FATF Special Recommendation VI). Adoption of this instrument should be possible by mid June 2006.

Completion of the internal market

As follow-up to the globalisation debate at the informal Ecofin meeting in Vienna, where the completion of the internal market has been identified as one of the key priorities to further strengthen Europe's competitiveness, ministers agreed on a more pro-active approach on identifying and resolving still existing obstacles.

EIB Board of Governors' meeting

Before the Ecofin Council, the annual meeting of the EIB's Board of Governors took place, where Governors approved the financial statements and the Annual Report for the year 2005. The Bank have had a very succesfull year, leading to a surplus of 1.4 billion Euro. Given this circumstance, Governors agreed that the next recapitalization will again be financed out of the Bank's reserve. Furthermore, Governors decided on increasing the Structured Financing Facility which will enable the Bank to boost its contribution for promoting growth and employment in Europe.