

Results of the ECOFIN Council on 5 May 2006

Financial Services

Following the discussions at the informal meeting in Vienna, the Council adopted conclusions aiming at further deepening the integration of financial markets. The key priorities of the financial services policy 2005-2010 are:

- First, improving the functioning of cross-border retail markets, by strengthening competition while at the same time ensuring an appropriate level of consumer protection; creating a Single Euro Payments area.
- Second, abolishing obstacles to cross-border mergers and acquisitions, with the aim to strengthening the global competitiveness of the European financial industry.
- Third, intensifying convergence of supervisory standards and practices and co-operation between supervisory authorities, taking into account the growing number of cross-border and cross-sector financial groups and the increasing international inter-linkages.

VAT package

On the basis of a Presidency paper, the Council held an exchange of views on the so-called VAT package. In line with the Lisbon strategy, the package aims at modernising and simplifying VAT rules, and thus at reducing administrative burden for businesses and increasing their competitiveness, while at the same time ensuring efficient control and combating fraud.

The VAT package consists of proposals for

- amending the rules on the place of supply of services (shift from the origin to the destination principle) for 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;
- prolonging the arrangements with regard to the taxation of e-Commerce.

Whereas good progress has been made regarding the place of supply of services, a number of technical issues still have to be resolved before the one stop shop scheme can be implemented in practice. Against this background, the Presidency proposed a gradual implementation of the package, based on the following timetable:

- by 1 July 2006, prolongation of the e-commerce directive;
- by 1 January 2008, entry into force of the amendments with regard to B2B and -with some exceptions - also with regard to B2C;
- by 1 January 2009, entry into force of the renewed VAT refund system;
- by 1 January 2010, entry into force of the one stop shop.

The Council requested the Working Group to continue work on the package and taking into account the views expressed by Member States during the meeting. Depending on the progress achieved, the Council might come back to this issue at its meeting on 7 June.

EU Sustainable Development Strategy (SDS)

Ministers agreed on the contribution of the Ecofin Council to the SDS which will be reviewed by the European Council in June. The key messages of the Ecofin Council are:

- the objectives set up in the initial strategy remain valid and should be supported by a limited number of priority targets and commitments in order to avoid an overloading agenda and thus unsatisfied delivery;
- policy making in the areas covered by the SDS should be further improved, i.a. by a more extensive use of market-based instruments;

- the issue of long-term sustainable development should become to an integral part of Member States' National Reform Programmes.

Draft Budget for 2007

The Council took note of the presentation by Commissioner Dalia Grybauskaitė of the preliminary draft EU budget for 2007, which is the first budget to run under the new financial framework. The Commission proposal foresees 126.8 billion Euro in commitment appropriations and 116.4 billion Euro in payment appropriations. The Council will hold its first reading on 14 July.

Integrated Internal Control Framework

The Council took note of the presentation by Commissioner Siim Kallas of the Action Plan towards an Integrated Internal Control Framework. This plan aims at reaching a qualified Statement of Assurance by the European Court of Auditors for the implementation of the EU budget, i.a. by improving control and auditing measures at the European and Member States' level, by simplifying EU legislation and by promoting best practices.

Dialogue with acceding and candidate countries

The ministerial dialogue was held with Finance Ministers and Central Bank representatives of Bulgaria, Rumania, Turkey, Croatia and, for the first time, the Former Yugoslav Republic of Macedonia, which has candidate status since December 2005. The Council adopted conclusions on the Pre-accession Economic Programmes (PEP) of Romania, Bulgaria, Croatia and Turkey; FYROM will put forward its first PEP until December 2006 at the latest.

All acceding and candidate countries show solid economic growth. Bulgaria and Romania were invited to complete the accession preparations by fully implementing the acquis and resolving all outstanding issues prior to accession. On the structural side, challenges in all countries refer to accomplishing privatisation and advancing enterprise restructuring, improving the business environment to stimulate investment

and enhance competitiveness, combating corruption and intensifying efforts to integrate the informal economy into the formal sector.