EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2015) 2116 final

- English language version of the French text which is authentic -

Brussels, 4 March 2015

TEXTE EN

MINUTES

of the 2116th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 18 February 2015

(morning)

TABLE OF CONTENTS

<u>Single sitting</u>: Wednesday 18 February 2015 (morning)

The sitting opened at 9.15 with Mr JUNCKER, President, in the chair.

<u>Present</u>:

Mr JUNCKER	President	
Mr TIMMERMANS	First Vice-President	Items 1 to 9 (in part)
Ms GEORGIEVA	Vice-President	
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	Items 1 to 7
Ms MALMSTRÖM	Member	Items 1 to 8 (in part)
Mr MIMICA	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	
Lord HILL	Member	Items 1 to 8
Ms BULC	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms VESTAGER	Member	

Absent:

Ms MOGHERINI	High Representative/ Vice-President
Mr HAHN	Member
Mr STYLIANIDES	Member
Mr HOGAN	Member
Ms BIEŃKOWSKA	Member
Ms CREȚU	Member
Mr MOEDAS	Member

The following sat in to represent absent Members of the Commission:

Mr MANSERVISI	Chef de cabinet to Ms MOGHERINI
Mr KARNITSCHNIG	Chef de cabinet to Mr HAHN
Ms CHRISTOPHIDOU	Chef de cabinet to Mr STYLIANIDES
Mr POWER	Chef de cabinet to Mr HOGAN
Mr HUSAK	Chef de cabinet to Ms BIEŃKOWSKA
Ms RUS	A member of Ms CREŢU's staff
Mr VICENTE	Chef de cabinet to Mr MOEDAS

The following also sat in:

Mr SELMAYR	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	Items 7 (in part) to 9
Mr HETSCH	Deputy Director-General, Legal Service	Items 1 to 7 (in part)
Mr PAULGER	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson Service and Chief Spokesperson of the Commission	
Ms METTLER	Head of the European Strategic Policy Centre	
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Ms DEJMEK-HACK	A member of the PRESIDENT’s staff	Items 1 to 7 (in part)
Mr THOLONIAT	A member of the PRESIDENT’s staff	Items 1 to 7 (in part) and 9
Mr KASEL	A member of the PRESIDENT’s staff	Items 8 and 9
Mr SZOSTAK	A member of the PRESIDENT’s staff	Item 7 (in part)

Mr SUARDI	Deputy Chef de cabinet to Mr DOMBROVSKIS	
Ms ÅSENIUS	Chef de cabinet to Ms MALMSTRÖM	Items 8 (in part) and 9
Ms SCOPPIO	Adviser in Mr MOSCOVICI's Office	Items 1 to 8
Mr ZOUREK	Director-General, DG Taxation and Customs Union	Item 8

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

1. AGENDAS
(OJ(2015) 2116/FINAL; SEC(2015) 93/2)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2015) 2116)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 16 February.

3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 2113TH MEETING (28 JANUARY), MINUTES OF 2114TH MEETING (4 FEBRUARY) AND MINUTES AND SPECIAL MINUTES OF 2115TH MEETING (10 FEBRUARY)
(PV(2015) 2113; PV(2015) 2113, PART II AND /2; PV(2015) 2114; PV(2015) 2115; PV(2015) 2115, PART II)

The Commission approved the minutes of its 2113th, 2114th and 2115th meetings.

4. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

4.1. WRITTEN PROCEDURES APPROVED (SEC(2015) 94 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 9 and 13 February.

4.2. EMPOWERMENT (SEC(2015) 95 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 9 and 13 February.

4.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2015) 96 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 9 and 13 February, as archived in De*c*ide.

4.4. SENSITIVE WRITTEN PROCEDURES (SEC(2015) 97 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 16 and 20 February.

5. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2015) 98/2)

ADMINISTRATIVE MATTERS (PERS(2015) 16)

5.1. DG HUMAN RESOURCES AND SECURITY – COMPREHENSIVE AGREEMENT ON THE REMOVAL OF COMMISSION DEPARTMENTS FROM THE JEAN MONNET I BUILDING IN LUXEMBOURG

The Commission took note of the information in point 1 of PERS(2015) 16 and, on a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT, decided:

– to approve the building blocks of the comprehensive agreement with the Luxembourg authorities set out in the annex to PERS(2015) 16;

– to authorise Ms GEORGIEVA to formalise this agreement with the Luxembourg authorities at an appropriate level by exchange of letters, replacing the agreement signed in 2003 by Ms Lydie Polfer on behalf of the Grand Duchy of Luxembourg and Mr Neil Kinnock on behalf of the Commission;

– to authorise Ms GEORGIEVA to take all the necessary steps and measures to implement this agreement, including those aiming to guarantee the rehousing of the staff currently accommodated in the Jean Monnet 1 (JMO1) building throughout the transitional period during which the replacement buildings would not be available.

These decisions would take effect immediately.

5.2. ACTIVITIES OF A MEMBER OF THE COMMISSION AFTER LEAVING OFFICE (C(2015) 915)

The Commission adopted the decision set out in C(2015) 915.

The Commission:

- decided that the activities planned by former Vice-President of the Commission Mr Joaquín ALMUNIA, as a member of the advisory boards of *Notre Europe*, Friends of Europe, the European Policy Centre, the Centre for European Reform and the Foundation for European Progressive Studies, were compatible with Article 245(2) of the Treaty on the Functioning of the European Union (TFEU), provided that Mr ALMUNIA refrained from lobbying the Commission and/or its departments on all matters relating to his portfolio on behalf of the bodies mentioned above and/or in the interests of other bodies that they might wish to promote, during the 18 months after he left office;

- decided that the activities planned by Mr ALMUNIA as a Visiting Professor in Practice at the European Institute of the London School of Economics, as a Visiting Fellow at the Minda de Gunzburg Center for European Studies at Harvard University, as a Correspondent Member of the Competence Center of European and International Law at the University of St. Gallen (Switzerland), as a member of the Board of the Deusto Business School and a member of the European Academies' Science Advisory Council (EASAC) were compatible with Article 245(2) TFEU;

- decided that the contract that Mr ALMUNIA wished to conclude with the Thinking Heads Group was compatible with Article 245(2) TFEU, provided that Mr ALMUNIA complied with his obligations under Articles 245 and 339 TFEU and the Code of Conduct for Commissioners, in particular with regard to protection of collective responsibility and the confidentiality of matters handled by the Commission during his two terms of office as a Member of the Commission, and provided that he refused any specific activity that could conflict with these obligations;
- instructed the Secretary-General to inform Mr ALMUNIA of this decision and the applicable conditions concerning some of his activities.

5.3. ACTIVITIES OF A MEMBER OF THE COMMISSION AFTER LEAVING OFFICE (C(2015) 916)

The Commission adopted the decision set out in C(2015) 916.

The Commission decided that the activities planned by former Vice-President of the Commission Ms Viviane REDING as a member of the Advisory Board of the Global Economic Symposium were compatible with Article 245(2) TFEU, provided that Ms REDING complied with her obligations under Articles 245 and 339 TFEU and the Code of Conduct for Commissioners, and more specifically, provided that she demonstrated integrity and discretion in all circumstances, that she protected collective responsibility and the confidentiality of issues handled by the Commission during her three terms of office as a Member of the Commission, and that she refrained from lobbying the Commission and/or its departments on behalf of the Global Economic Symposium and/or in the interests of related bodies during the 18 months after she left office.

The Commission instructed the Secretary-General to inform Ms REDING of this decision and the conditions applicable.

6. GREEN PAPER – BUILDING A CAPITAL MARKETS UNION (COM(2015) 63 AND /2; SWD(2015) 13; RCC(2015) 12)

The Commission approved the green paper in COM(2015) 63/2 for transmission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, and, for information, to the national parliaments, together with the staff working document distributed as SWD(2015) 13, the contents of which were noted.

7. INTERINSTITUTIONAL RELATIONS (RCC(2015) 11)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 13 February (RCC(2015) 11).

It paid particular attention to the following points.

7.1. LEGISLATIVE DOSSIERS

i) Council dossiers
(point 3.3 of the IRG record)

– Payment services in the internal market, amendment of Directives 2002/65/EC, 2013/36/EU and 2009/110/EC and repeal of Directive 2007/64/EC (Directive) – TAJANI report – 2013/0264 (COD)

The Commission approved the line set out in SI(2015) 44/2 and /3.

– Amendment of Directive 94/62/EC on packaging and packaging waste to reduce the consumption of lightweight plastic carrier bags (Directive) – AUKEN report – 2013/0371 (COD)

The Commission approved the line set out in SI(2015) 45/2.

– Novel foods (Regulation) – NICHOLSON report – 2013/0435 (COD)

The Commission approved the line set out in SI(2015) 46 and /2.

7.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

ii) Programming of Council business
(SI(2015) 53)

The Commission took note of the information in SI(2015) 53 on the programming of Council business from 19 February to 4 March.

iii) Non-legislative dossier
(point 4.1 of the IRG record)

– Memorandum of Understanding on the Conservation of Migratory Sharks

The Commission approved the line set out in SI(2015) 49.

iv) Latest developments in the Council
(point 4.4 of the IRG record)

– Amendment of Regulation (EU, Euratom) 1311/2013 laying down the multiannual financial framework for the years 2014-2020 (Council Regulation) – OLBRYCHT/THOMAS report – 2015/0010 (APP)

The Commission approved the line set out in SI(2015) 50/3.

v) Outcome of the informal meeting of Heads of State or Government (Brussels, 12 February) and of the meetings of the Economic and Finance Ministers from the euro-area countries – Eurogroup (Brussels, 13 and 16 February)
(SI(2015) 42)

Situation in Greece

The Commission turned to the situation in Greece and more particularly the ongoing negotiations between the Greek authorities and the other Member States, especially in the recent meetings of the Eurogroup. The aim of the negotiations was to find a workable solution that was acceptable to all parties.

Situation in Ukraine and Libya

In the absence of Ms MOGHERINI and Mr HAHN, Mr MIMICA reported on the situation in Ukraine and on the worrying ongoing developments in Libya.

Turning first to Ukraine, Mr MIMICA referred to the new Minsk Agreement signed by the country with Russia on 13 February, thanks to the mediation of the German Chancellor, Ms Angela Merkel, and the French President, Mr François Hollande, which had been endorsed by the UN Security Council.

He noted that the agreement called for the imposition of a ceasefire in eastern Ukraine and the withdrawal of the armed forces and heavy weapons stationed there.

He acknowledged with regret, however, that the situation remained very worrying, especially in the Debaltsevo-Horlivka region, which had seen heavy fighting. He noted the calls for full compliance with the ceasefire by all sides issued by the Organization for Security and Co-operation in Europe (OSCE) and the diplomatic contacts taking place at the highest level. He confirmed that the coming hours would prove decisive.

As for support for Ukraine, he said that the Union stood ready to carry out all the measures necessary. He particularly emphasised the needs of the OSCE Special Monitoring Mission, in terms of both equipment and technical expertise, to which Member States should respond positively.

With respect to the reform of the Ukrainian constitution and the preparation of early local elections in certain territories, he referred to the work under way and pointed out that funding would be necessary, there too, to support the OSCE monitoring missions. He also noted that the Union and Member States needed to consider ways of increasing the resources available to help the country cope with the immediate humanitarian crisis and the considerable needs of people displaced within its territory, as well as with future reconstruction.

To conclude, he noted that the Union was, moreover, prepared to pursue the trilateral dialogue on implementation of the Deep and Comprehensive Free Trade Agreement with Ukraine, and to facilitate the negotiation of a ‘summer package’ between Ukraine and Russia concerning gas supplies, with a view to the next winter.

For his part, Mr MOSCOVICI spoke about the serious pressure the Ukrainian economy was under. He pointed out that, while a ceasefire might provide some respite in one quarter, the challenges to be faced in other quarters were no less substantial, especially in terms of currency volatility and falling foreign exchange reserves. For this reason, beyond the Minsk II Agreement, Ukraine needed major international assistance as soon as possible and its government should be encouraged to maintain the reforms undertaken, as the only means of restoring confidence and a certain degree of stability.

Accordingly he welcomed the new assistance programme announced on 12 February by the International Monetary Fund (IMF) to stabilise the economic and financial situation in Ukraine. He noted that this funding would add to the $5 billion granted by other donors, including EUR 1.8 billion from the European Union. He said that, with the last tranche due and the newly proposed management of macro-financial assistance, Europe would make available over EUR 2 billion to Ukraine over the following 12-15 months, which, together with the other contributions, should cover its short-term funding requirements. Nevertheless, in his view it would be useful to begin thinking as of the present of ways to help Ukraine after 2016.

Mr MIMICA took the floor again, commenting on the very worrying escalation which had occurred on the ground in Libya following the terrorist attack on Coptic Christians of Egyptian nationality on 15 February, with air strikes carried out over Libya by Egypt in reprisal, an increase in the number of attacks and the consolidation of the positions of *Da'esh*. He referred to the country's institutional fragility since the fall of the national government in 2014, against a background of battles between rival militias in an attempt to gain power.

The political dialogue that had been taking place in the UN since 2014 was aimed primarily at facilitating the formation of a government of national unity. He expressed the EU's full support for the continuation of the political process, which was beginning to show some progress under the auspices of the UN Special Representative, Mr Bernardino Léon. He reiterated the EU's consistent position, which was that the conflict would not be resolved by force but by the search for a political solution in which the people of Libya had to play an active role.

In conclusion, Mr MIMICA reported on the very active participation by Ms MOGHERINI in a number of recent high-level meetings and on the preparation by her departments of a number of support measures and sanctions which could be deployed if circumstances so required.

During the discussion which followed, which was mainly concerned with Ukraine, the Commission raised the following main points:

– the grave concern caused by the present situation in Ukraine, especially as regards security in the east of the country, and support for Minsk II, which marked a good starting point for future negotiations;

– the fear felt by some that Russia would continue a strategy aimed at gaining control over its neighbourhood; the view expressed by others that it was advisable as a matter of urgency to establish channels for dialogue with the Russian authorities, which could also help to resolve the conflict;

– the complexity of the conflict between Ukraine and Russia; a warning not to over-simplify the political motives of the two sides; the need for an in-depth analysis of the EU's relations with Russia but also for a detailed study of Russia's strategic interests;

– the EU's determination to continue its contribution to supporting the economic and financial stability of Ukraine; the observation that the country needed urgent macroeconomic aid, as well as incentives to continue its reforms despite the difficulties;

- the need, on the one hand, to stress that the Deep and Comprehensive Free Trade Agreement between the EU and Ukraine would not be altered, but, on the other hand, the need to listen to the concerns of the Russian authorities;

- on the matter of Russia's desire to establish commercial ties between the European Union and the Eurasian Economic Union, of which it was the driving force, the fact that any such links would be premature, in view not only of the crisis in Ukraine but also of the disputes between Russia and the EU in the World Trade Organization;

- the case for obtaining a clearer picture of the overall financial assistance to Ukraine in order to examine its request for bridge financing to safeguard its energy supply; the need for the Union to hold a strategic discussion with the Ukrainian authorities on energy infrastructure and on relations with the national company, *Naftogas*.

The PRESIDENT thanked the Members of the Commission for their contributions. He said that he was very concerned at the turn taken by events in eastern Ukraine. However, he took the view that if Minsk II was respected throughout Ukrainian territory, the EU should endeavour to listen more closely to Russia, which was a major player in maintaining the overall geopolitical balance.

The Commission took note of this information.

7.3. RELATIONS WITH PARLIAMENT

vi) Results of the February I part-session of Parliament
(SP(2015) 58; SP(2015) 59)

The Commission took note of the information in SP(2015) 58 and SP(2015) 59 on the proceedings of the part-session of Parliament held in Strasbourg from 9 to 12 February.

vii) Action to be taken on Parliament's legislative resolutions and other resolutions of a legal nature
(SP(2015) 86)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr TIMMERMANS and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2015) 86, drawn up following the February I part-session of Parliament, the contents of which were noted.

8. POLICY DEBATE ON TAXATION
(SEC(2015) 101; RCC(2015) 13)

Mr DOMBROVSKIS outlined the proposals he was presenting with Mr MOSCOVICI, which would serve as a guide for the Commission's future work in the field of taxation. Clear and transparent tax systems not only ensured fairness but also provided a framework of stability for fiscal policy and predictability for firms and investment in Europe. The Commission therefore intended to be ambitious in its efforts and to produce well-thought-out, technically sound proposals.

Although indirect taxation had already been the subject of numerous initiatives at European level, direct taxation remained primarily the responsibility of the Member States. Nevertheless, he felt that the Commission had to take steps to help Member States prevent situations in which cross-border firms, taxed in more than one state, were able to exploit the loopholes and inconsistencies in and between national tax systems for the purposes of tax evasion and tax avoidance.

The Commission needed, therefore, to examine ways of preventing the erosion of the Member States' tax base and ensuring that companies enjoyed a level playing field in the internal market. In pursuit of this aim, he set out the fundamental principle that revenue should be taxed in the Member State where the economic activity generating the profits is performed and the value is created. In terms of instruments, the starting point was the existing framework, laid down by the Action Plan presented by the Commission in 2012, while continuing close cooperation internationally, for example with the Organisation for Economic Cooperation and Development (OECD) and the G20, and by negotiating conventions with third countries.

After this general introduction, Mr DOMBROVSKIS suggested first exploring the area of tax transparency, where the Commission had already announced a legislative proposal to require national authorities automatically to exchange information on tax rulings. Mr MOSCOVICI would be presenting this issue in greater detail.

Mr DOMBROVSKIS also proposed working on a second area – fair corporate taxation – and suggested that an action plan be presented before the summer, aimed at making the system of corporate taxation in the Union fairer and more efficient. He also announced ideas for relaunching the proposal for a Common Consolidated

Corporate Tax Base (CCCTB) and for preventing artificial profit shifting which had the effect of eroding the Member States' tax base.

Finally, he mentioned another question which the College would be asked to decide: the extent to which public disclosure of certain tax information relating to companies should be required, as already existed to some extent for banks, for example. Greater transparency could facilitate better public surveillance of tax planning while providing assurance of a level playing field for taxation. However, he reiterated that ensuring compliance with the law was the responsibility of the public authorities, and the European Union should not impose new disclosure obligations before having a clear idea of their costs and benefits.

Mr MOSCOVICI then took the floor to say that the political context called for action by the Commission, given that the Member States' fiscal consolidation efforts in recent years had often led to tax increases for ordinary people and small and medium-sized enterprises. At the same time, some large groups took advantage of the inconsistencies of 28 national tax systems that were poorly coordinated within the Union.

The fact was that most of the tax planning practices were neither fraudulent nor illegal, making them all the more difficult to combat. However, faced with situations which, in the medium term, threatened the social contract between the citizen and the government, the Commission had to foster closer cooperation between the Member States in this area, even though it remained, primarily, a matter of national sovereignty. He also pointed out that the Commission was the only body that could coordinate a common approach.

He therefore joined Mr DOMBROVSKIS in proposing a coherent and ambitious approach to give the Union the means to respond, in two stages, to the challenge it faced. In the first place, there was an urgent need to improve the exchange of information and, more generally, transparency on tax questions. He believed that States and companies, particularly multinationals, should no longer be able to hide behind opaque - but legal - practices to make aggressive tax planning an aim in itself.

He referred in this connection to the work the Union had already done, commending in particular the Action Plan of December 2012, several important parts of which had been successfully adopted, despite the unanimity rule, under combined pressure from the Commission and the weight of public opinion. He cited the example of banking secrecy, which could no longer be used to block requests from the tax administration, and the fact that from 2017 the Member States would automatically exchange a large amount of data about bank accounts held by non-residents.

Mr MOSCOVICI stressed that there was clearly a need to go even further, particularly in the area of company taxation. He therefore called for the support of the College for the adoption on 18 March of a proposal for a Directive on the automatic exchange of information on tax rulings. It was a matter of transforming a commitment that was currently too vague into an explicit and legally binding obligation, so that Member States would be required to inform each other about the tax rulings they issued that might have a cross-border dimension. He explained that the proposal being drafted concerned the exchange of information between administrations and did not entail any extra administrative burden on companies.

He also announced that the package would include a main communication explaining the background to this initiative and would entail the proposed repeal of the Council Directive on the taxation of savings. This was because the existing Directive which introduced the automatic exchange of information about savings products had become obsolete with the adoption of the amended Directive on administrative cooperation in December 2014, which covered a much wider area.

Finally, he referred not only to the strong justification for such an initiative by the Commission, given that the European Parliament had just set up a special committee on these issues, but also the public pressure in favour of greater disclosure of tax rulings. In this context he paid tribute to the work by Ms VESTAGER and her department on tax rulings from a state aid perspective.

Second, Mr MOSCOVICI took the view that care should be taken to ensure that companies' profits were taxed in the country where they actually carried on their activities. In order to do this, the Union had to help Member States to protect their tax bases in their relationships with each other and with the rest of the world.

Mr MOSCOVICI referred to the action plan to that effect that was already included in the Commission's Work Programme for 2015 and would be presented to the College before the summer. In particular, the plan would contain measures to guarantee fairer and non-harmful corporate taxation and a discussion on the future of the draft Directive on a Common Consolidated Corporate Tax Base.

The Commission held a discussion during which the following points were raised:

- the case for a new initiative to strengthen the fight against tax evasion and tax avoidance, which resulted in a loss of revenue that the Member States sorely needed; support for the approach adopted;
- the need for the Commission to respond to European public opinion's call for fairness by a proposal for greater tax transparency between the tax authorities in the Member States; the argument for ensuring that most of the resulting administrative burden should fall on the tax authorities rather than on companies; emphasis on the practical aspects to be examined; at the same time, the request that the impact of the proposal on investment in the Union and the competitiveness of European economies be assessed;

- support for the principle of taxation in the Member State where revenue was generated and value created; from this perspective, the argument for looking into the particular case of companies in the digital sector;

- support for the automatic exchange of information between Member States on tax rulings in order to make the tax treatment of companies fairer; a reminder that tax rulings were not illegal in themselves, provided that they did not result in preferential treatment; the role of monitoring of state aid by the Commission itself to prevent multinationals from obtaining preferential tax advantages;

- the suggestion to take time to examine all the aspects of the degree of public disclosure of the information exchanged on tax rulings; the case for clarifying in particular the objective of such disclosure, the scope of the companies concerned, the nature of the information in question, the added value of the disclosure and the cost of implementation; the usefulness, moreover, of waiting for the conclusions of the OECD work on the issue, which would be finalised in September; caution against potential difficulties linked to data protection;

- for some, the need for a reasonable definition of the scope of application of the transparency rules in order not to lose sight of the objective of providing for a level playing field; for others, the suggestion to consider including tax rulings in the public information on multinationals;

- the advisability, stressed by some, of giving new impetus to the Commission proposal for a Common Consolidated Corporate Tax Base, which was of interest to the Member States, companies, third-country investors and society as a whole;

- with regard to combating value added tax (VAT) fraud, the need to strengthen the capability of national tax authorities in this field and a reminder of the Commission work on establishing a European Public Prosecutor's Office, which could investigate the use of European funds, including VAT;

- reference to the Union's action with developing third countries in the field of taxation, in particular to help them to improve their tax collection and to raise awareness of the fight against illicit financial flows.

The PRESIDENT closed the discussion by thanking participants for their contributions and by scheduling an initial meeting on 18 March for the presentation of the proposal for a Directive on the automatic exchange of information on tax rulings.

The Commission took note of the results of this debate and of the background note distributed under the authority of Mr DOMBROVSKIS and Mr MOSCOVICI as SEC(2015) 101.

9. OTHER BUSINESS

ECONOMIC GOVERNANCE – ECONOMIC SURVEILLANCE PACKAGE (INFO(2015) 11; RCC(2015) 15)

Mr DOMBROVSKIS mentioned the set of documents that would be laid before the Commission the following week under the European economic and budgetary governance system. This package would follow the streamlined approach to the European Semester announced in the 2015 Annual Growth Survey.

In substance this meant that, for the first time since the European Semester had been established, the Commission was proposing a single analysis covering both a detailed examination of macro-economic imbalances and an assessment of the reforms carried out by the Member States; moreover, it was conducting this analysis at an early stage in order to leave more time for dialogue with the Member States' governments and other stakeholders. Where appropriate, the analysis could be accompanied by a decision calling on a Member State to take measures under the Stability and Growth Pact or the macro-economic imbalance procedure.

The package consisted of three parts: (i) the main Communication (ii) the country reports and a euro-area report and (iii) any decisions to be taken under the Stability and Growth Pact or the macro-economic imbalance procedure.

He began by explaining that the main Communication was the policy document which the Commission would be examining the following week. This would discuss the macro-economic imbalances in 16 Member States identified in this year's Alert Mechanism Report and update the opinion issued by the Commission on the budgetary surveillance of the draft budget plans presented by the Member States in November 2014.

He noted that the country reports and the euro-area report presented a detailed picture of the economic situation of the Member States, the key challenges they faced, and the measures they had taken to date in response to the country-specific recommendations issued by the Commission for 2014.

Lastly, he pointed out that, depending on the findings of its analysis, the Commission could also decide, if necessary, to take new steps, as provided for in the Stability and Growth Pact or the macro-economic imbalance procedure. In November 2014 the Commission had undertaken to examine this possibility as regards Belgium, France and Italy.

Mr DOMBROVSKIS then summarised the main political messages emerging from this set of documents. He mentioned firstly a slight improvement in the economic forecasts, although the situation was still very difficult and there had been no corresponding upturn in employment. Second, the package followed on from the priorities identified in the AGS, i.e. to boost productive investment and to give a firm commitment to carry out reforms and improve fiscal policy through a combination of consolidation and quality. Third, at this stage of the European Semester, the Commission was taking stock of the progress made by the Member States in response to the recommendations addressed to them.

Mr MOSCOVICI pointed to the new growth forecasts published by the Commission on 5 February, which showed a steady but fragile recovery, with growth remaining modest between now and 2016.

He noted that the macro-economic policies currently being implemented in general, and more particularly in the euro area, now promoted growth. In this context, he emphasised the Commission's dual coordination role, which consisted of encouraging Member States to carry out structural reforms, while at the same time striving to maintain the overall balance of prudent fiscal policies that were differentiated by country in order to continue the steady process of deleveraging Europe's economies. To accomplish these two tasks, the Commission had two instruments at its disposal – the excessive macro-economic imbalance procedure and the Stability and Growth Pact.

He pointed out that on this occasion the Commission would have to state a position on the situation of Belgium, France and Italy in relation to the Stability and Growth Pact. In the case of Belgium and Italy, the question was whether to place them under the preventive or the corrective arm of the Pact. Depending on the answer to this question, which would be given in a report drawn up under Article 126(3) of the Treaty on the Functioning of the European Union, the efforts required of these two countries would either be set out in a recommendation to end an excessive deficit or excessive government debt, under the corrective arm of the Pact, or would come under the new ‘adjustment matrix’ for the preventive arm, presented in the Commission Communication of 13 January, ‘Making the best use of the flexibility within the existing rules of the Stability and Growth Pact’.

In the case of France, a new adjustment path towards the 3% budget deficit limit would be proposed to the Council. The question was what form would it take: a new recommendation or, moving to the next stage in the procedure, a letter of formal notice?

For all three countries he gave an assurance that the flexibility taken into account would be in keeping with the Communication of 13 January, in particular the criterion of structural reforms that had been undertaken and planned.

As for the surveillance of excessive macro-economic imbalances, Mr MOSCOVICI noted that in-depth reviews were being carried out of 16 countries to determine whether they required more intensive surveillance. This work was still being finalised.

Finally, he stressed that the action taken by the Commission should not be punitive, but should encourage the Member States to intensify and speed up their reforms and to carry out fiscal adjustments where necessary.

During the ensuing discussion, the Commission raised the following points in particular:

- satisfaction that the streamlining of this stage in the European Semester exercise and its earlier timing meant that there would be more time for dialogue between the Commission and the Member States and hence that the Member States would have greater ownership of the reforms;

- emphasis on the need to ensure the objectivity of the conclusions drawn by the Commission from the analysis of the performance of each Member State in order to guarantee the credibility of the exercise and equal treatment of Member States;

- a call for consistent implementation of the rules on interpreting the notion of flexibility in the Stability and Growth Pact as set out by the Commission in its Communication of 13 January;

- a warning against taking a less strict attitude towards compliance with the 3% budget deficit criterion when inflation and interest rates were low; similarly, a call to observe the agreed rules on the evaluation of Member States' structural reforms, including an insistence on reforms that had been adopted and undertaken, not just those that had been announced; lastly, the question of how the Commission could ensure that these rules were applied in practice.

- for the sake of consistency, the suggestion that the Commission's dialogue with employers' and trade union organisations be explicitly mentioned in the main Communication once the package had been adopted and sent to the other European institutions, as the Commission had promised.

Winding up the debate, the PRESIDENT noted that the package of documents and decisions they had discussed would be presented at the Commission meeting the following week, on 25 February. Given the importance of this matter, he announced that the discussions might continue after the Commission's official lunch with His Majesty King Philippe, King of the Belgians.

The Commission took note of this information and of the note distributed under the authority of Mr DOMBROVSKIS and Mr MOSCOVICI as INFO(2015) 11.

*

*   *

The Commission's other discussions on certain agenda items are recorded in the special minutes.

*

*   *

The meeting closed at 12.22.