

COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

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non/MI/cc

1379th Council meeting
- Economic and Financial Affairs -
Brussels, 18 December 1989

President: Mr Pierre BEREGOVY
Ministre d'Etat,
Minister for Economic and Financial Affairs
and the Budget
of the French Republic

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

Belgium:

Mr Philippe MAYSTADT Minister for Finance

Denmark:

Mr Niels HELVEG PETERSEN Minister for Economic Affairs

Germany:

Mr Theo WAIGEL Federal Minister for Finance

Mr Hans TIETMEYER State Secretary, Federal Ministry of Finance

Greece:

Mr George YENNIMATAS Minister for Economic Affairs

Spain:

Mr José BORRELL FONTELLES State Secretary, Ministry of Finance

Mr Pedro PEREZ State Secretary, Ministry of Economic Affairs

France:

Mr Pierre BEREGOVOY Ministre d'Etat, Minister for Economic and Financial Affairs and the Budget

Ireland:

Mr Albert REYNOLDS Minister for Finance

Italy:

Mr Guido CARLI	Minister for the Treasury
Mr Rino FORMICA	Minister for Finance

Luxembourg:

Mr Jacques SANTER	Prime Minister, Minister for the Treasury
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Netherlands:

Mr W. KOK	Minister for Finance
Mr Piet DANKERT	State Secretary, Ministry of Foreign Affairs
Mr M.J.J. VAN AMELSVOORT	State Secretary, Ministry of Finance

Portugal:

Mr Carlos TAVARES	State Secretary, the Treasury
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United Kingdom:

Mr John MAJOR	Chancellor of the Exchequer
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Commission:

Mr Jacques DELORS	President
Sir Leon BRITTAN	Vice-President
Mr Henning CHRISTOPHERSEN	Vice-President
Mrs Christiane SCRIVENER	Member
Mr Karl VAN MIERT	Member

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ECONOMIC SITUATION IN THE COMMUNITY

The Council carried out a second multilateral surveillance exercise, which enabled it to have a wide-ranging and thorough discussion of the economic situation in the Community.

It went on to adopt the substance - in accordance with the "convergence" decision of 1974 - of the annual economic report and laid down the economic-policy guidelines to be followed in the Community.

The annual economic report will be formally adopted before the end of the year after the text has been finalized.

FOLLOW-UP TO THE EUROPEAN COUNCIL

Further to the conclusions of the European Council in Strasbourg with regard to economic and monetary union, the Council noted that the Commission intended to submit before 1 April 1990 a composite paper on all aspects of the achievement of economic and monetary union which would take into account all available analyses and contributions.

The Council invited the Monetary Committee to continue its work on the achievement of economic and monetary union and to report back to it again before 1 April 1990.

The Council will carry out an initial examination of these two reports at its next informal meeting scheduled for 30 March and 1 April 1990.

FIRST STAGE OF ECONOMIC AND MONETARY UNION

Noting that the European Parliament had not yet delivered its Opinion on the two draft decisions concerning the first stage of EMU, the Council agreed to return to this issue at its next meeting on economic and financial affairs in February 1990.

FINANCIAL ASSISTANCE FOR CENTRAL AND EAST EUROPEAN COUNTRIES

After a preliminary exchange of views on the Commission's proposal concerning the granting of medium-term financial assistance to Hungary, the Council instructed the Monetary Committee to examine the proposal and to report back to it for its meeting in February 1990.

The Council also noted that satisfactory progress had been made with the work of setting up a European Bank for Reconstruction and Development.

ABOLITION OF FISCAL FRONTIERS

Further to the conclusions of the European Council in Strasbourg inviting it to supplement the arrangement agreed on in the field of indirect taxation "by the elements which will be essential in particular to enable the progressive approximation of VAT rates", the Council continued its deliberations on this point. At the close of its discussions, the President drew the following conclusions:

"The abolition of restrictions on purchases by individuals (1st subparagraph of point 8 of the conclusions of the ECOFIN Council on 13 November 1989), allowing market forces to operate fully inevitably means that States will have to approximate their rates. If the consequences are to remain manageable for all, this approximation must be co-ordinated and balanced. The States therefore

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agree that it is necessary as of now to avoid increasing the divergences between their VAT rates and that the normal rate they apply to most goods and services should not, between now and 1 January 1993;

- be reduced if it is less than 14%, nor raised if it is greater than 20%;

- be reduced below 14% nor raised above 20%, if it falls between 14% and 20%.

The taxation of intra-Community trade in the country of destination and special treatment applied to certain classes of transaction (points 1 to 5 of the conclusions of the ECOFIN Council of 13 November 1989) must enable most distortions of competition to be prevented. The expected effect of the abolition of frontiers in each member country should, however, be evaluated more accurately on the basis of the overall solution adopted by the Council and with due regard for future developments in the economic situation within the Community. In this connection, Member States will seek agreement between now and 31 December 1991 on a range of rates or, possibly, a minimum rate applicable on 1 January 1993 within the limits proposed by the Commission for the normal rate.

The reduced rates will be reserved in particular for essential goods and services meeting a social or cultural policy objective and will be jointly defined. In order to prevent distortions of competition and to continue the process of harmonization, the Council will - before 31 December 1991 - decide on the scope of the reduced rates which Member States will be able to apply and on the 1 January 1993 level. It will also decide on the products which can continue to be zero-rated without this entailing distortions of competition among Member States."

TAXATION OF SAVINGS

The Council continued its deliberations on the taxation of savings. At the close of the discussions, the President noted that eleven delegations approved the following conclusions:

THE COUNCIL,

With reference to the declaration of the European Council in Madrid to the effect that it is necessary to ensure that the liberalization of capital movements does not facilitate tax evasion, and the instructions given to the Council to find a satisfactory solution to the problem of taxation of savings in order to reach agreement before 1 July 1990,

has agreed on a series of measures designed to

- improve mutual assistance between the Member States, while ensuring that the obligations incumbent upon the competent authorities and the persons concerned are in proportion to the seriousness of the presumed evasion and to the significance of the amounts in question;
- extend mutual judicial assistance;
- adjust certain national measures;
- step up co-operation with countries which are not members of the Community.

A. On the question of mutual assistance

The Council,

1. in the interests of increasing the effectiveness of mutual assistance, considers that taxes on inheritances and gifts must be included within the scope of Council Directive 77/799/EEC of 19 December 1977;
2. points out that
 - the State to which the request is made must supply the information requested where it is able to obtain the same information for its own purposes;
 - assistance may not be refused on the grounds that there is no fiscal interest on the part of the State requested or that the tax for the correct establishment of which the information is requested does not exist in this Member State;
3. considers it necessary, specifically in cases of exchanges of information on request, to remove the obstacle to exchanges of tax information constituted by the administrative practice of the requested Member State where there are specific grounds for supposing that significant financial assets have been transferred to this State without those assets or the income or capital gain arising from them having been declared, if this is required, for taxation purposes in the requesting State;
4. asks the Member States, before 1 July 1990, to take measures enabling them to supply information in specific cases in which evidence of serious evasion is put forward by the authority making the request, even if the requested State is unable to obtain information from the financial institutions for its own purposes.

However, where Member States do not consider it possible to provide this information under the heading of mutual assistance, the mutual judicial assistance procedure may be applied for a transitional period of 2 years provided it can achieve the same tangible results as the procedure referred to in the preceding paragraph.

5. instructs the Commission to monitor the effective application of mutual assistance by the Member States and to submit a report on this matter to it every two years and for the first time on 31 December 1991, accompanied by the proposals which it deems necessary for improving procedures and for defining the concepts of significant assets and serious evasion mentioned in points 3 and 4 above;
6. calls on the Commission to propose to it before 31 December 1989 the amendments to be made, where necessary to Directive 77/799/EEC, in the hope that these amendments can be finalized and adopted as soon as possible and in any event before 1 July 1990.

B. On the question of mutual judicial assistance

The Council

7. requests those Member States which have not yet done so to sign and ratify as soon as possible the Convention on Mutual Assistance in Criminal Matters and the Additional Protocol on Tax Offences concluded in the framework of the Council of Europe.

C. On the question of national measures

The Council

8. refers to Article 4 of the Council Directive of 24 June 1988 which allows the Member States to take all requisite measures to prevent infringements of their laws and regulations, inter alia in the field of taxation, and to lay down procedures for the declaration of capital movements, provided that application of those measures and procedures does not have the effect of impeding capital movements carried out in accordance with Community law;
9. recalls that in some Member States such measures and procedures are implemented through a generalized system of statutory reporting from financial institutions;
10. considers it useful to require explicit assurance by taxpayers that any income from savings has been correctly declared;
11. calls on the Member States to ask interest-paying agents to remind recipients that such income may be declarable.

D. On the question of international co-operation

The Council,

12. considering that an improvement of international co-operation (non-member countries and offshore financial centres) must go hand in hand with the strengthening of co-operation between the Member States,

- calls on the Member States actively to seek means of stepping up mutual judicial assistance, co-operation on tax matters and mutual assistance with the principal non-member countries, both on a bilateral basis and, with the Commission, in the appropriate multilateral frameworks, in particular by undertaking within the OECD and the IMF an examination of the conditions for fair competition on the capital market and between financial markets both in Europe and in the rest of the world, including the issue of strengthening the means of combating evasion;

 - instructs the Commission to take stock of work done in the framework of international co-operation and to submit a report to it by 31 December 1991;

 - calls upon those Member States in whose territory offshore financial centres are situated or which have special relations with them to pass on the Council's conclusions to the competent authorities of such financial centres and to make every effort to encourage them to provide the Member States, in the event of tax evasion, with administrative and judicial assistance equivalent to that provided for between Member States under these Council conclusions.
13. The Council agrees, in the light of the first Commission report, with particular reference to the progress made with offshore financial centres, to re-examine the conditions for increasing administrative assistance among Member States not later than 31 December 1992.

TAKEOVER AND OTHER GENERAL BIDS

The Council held an initial policy debate on the proposal for a 13th Directive on company law concerning takeover and other general bids.

It noted that a considerable amount of work had been done during the first half of the year, which had already made it possible to examine in more detail a number of basic questions, such as:

- the scope of the Directive,
- the general principles on which the Directive and the activities of the supervisory authorities must be based,
- the restriction of the powers of the board of the offeree company during the period of the bid,
- litigation,
- informing representatives of the employees of the offeree company.

The Council's discussions today concentrated on the problem of the obligation to make a bid and the criteria for triggering such an obligation.

The obligation to make a bid was, in the opinion of the Commission and of a large majority of delegations, a basic feature of the Directive from the viewpoint of equal treatment for shareholders in a company which must be protected in particular when a change occurred in the control of that company.

Finding that there was a majority in favour of the idea of a Directive with as limited a scope as possible, the Council instructed the Permanent Representatives Committee to continue its discussions and to submit a full report to it on the whole Directive as soon as possible.

SOLVENCY RATIO

Following the substantive agreement reached in the ECOFIN Council on 19 June, the Council adopted - after the European Parliament had given its Opinion under the co-operation procedure and the Commission had submitted its re-examined proposal - the Directive on a solvency ratio which constitutes the counterpart to the second banking Directive adopted on 15 December and the Directive on the own funds of credit institutions adopted on 17 April 1989.

The main elements are now present for mutual recognition of the authorizations issued by the national authorities on harmonized bases and for co-ordinated supervision avoiding all distortion of treatment.

The Directive provides for the weighting of assets and off-balance-sheet items of credit institutions in keeping with the degree of credit risk and a ratio of 8%, which means that institutions will have to increase their level of capital. The Community is pursuing its efforts to extend co-ordination in the near future to interest-rate and foreign-exchange risks and to other market risks such as those arising from open positions. At this meeting the Council solved certain problems concerning obligations in the property sector.

The Directive should produce its effects at the same time as the other Directives concerning financial services and should enter into force by 31 December 1992 at the latest.

NCI AND EURATOM LOANS

The Council discussed the Commission proposals concerning NCI V and the increase in the ceiling on EURATOM loans. Following the discussion the President noted that the Council had been unable to achieve the unanimity required for the approval of these two decisions.

MISCELLANEOUS DECISIONS

Relations with the Soviet Union

The Council

- agreeing to the text of the Agreement between the Community and the USSR on trade and commercial and economic co-operation, decided to sign the Agreement subject to its being concluded (the signing took place that day - see Press Release 10948/89 Presse 251),
- approved the bilateral textile agreement the Commission had just negotiated and adopted, pending the formal conclusion of the agreement, the decision allowing its provisional application from 1 January 1990.

Relations with the EFTA countries

The Council

- approved the outcome of the negotiations with the EFTA countries concerning the opening of COMETT II to those countries and authorized its President to sign the Agreements,
- decided to sign, subject to its being concluded, the Agreement establishing a procedure for the exchange of information in the field of technical regulations between the Community, of the one part, and the EFTA countries, of the other part.

(The signing of these Agreements took place on the morning of 19 December - see Press Releases 10950/89 Presse 253 and 10951/89 Presse 254.)

Customs union

The Council adopted the Regulation amending Regulation No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (extension of the validity of the Regulation to 31 December 1990).

Bruxelles, le 15 décembre 1989.

BIO(89)388 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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Préparation Conseil Eco/Fin du 18 décembre 1989 :

(G. GUARNERI)

1) Suppression des frontières fiscales :

Le Conseil Européen de Strasbourg tout en notant avec satisfaction les progrès accomplis au cours des mois qui ont suivi le "Sommet" de Madrid, a estimé nécessaire de compléter le dispositif par les éléments indispensables pour permettre le rapprochement progressif des taux de TVA et pour résoudre les problèmes liés à la suppression des franchises voyageurs au 1er janvier 1993.

Dans cette perspective, la présidence française a soumis un projet de conclusion articulé autour de trois points :

- un accord immédiat sur la convergence vers la fourchette de 14 à 20%;
- un accord sur la nécessité de définir avant le 31 décembre 1991 une fourchette de taux ou un taux minimum pour le taux normal, à l'intérieur de la fourchette proposée par la Commission (14 à 20%);
- un accord sur le contenu de la négociation à conduire dans le même délai concernant les taux réduits et le taux zéro qui continuerait à s'appliquer dans certains Etats membres.

Autour de ce projet de conclusions, il s'est dégagé un accord à dix auquel le Luxembourg pourrait se rallier sous certaines conditions notamment une certaine flexibilité dans l'application des taux réduits. Le Royaume-Uni maintient sa réserve.

2) Fiscalité de l'épargne :

Dans ce domaine aussi, le Conseil Européen de Strasbourg a pris note des progrès accomplis depuis Madrid et a demandé au Conseil Eco-Fin d'achever ses travaux dans les meilleurs délais.

A l'occasion du dernier Conseil Eco-fin, la majorité des Etats membres s'était ralliée à un projet de conclusions qui était le résultat du travail conjoint de la présidence et de la Commission. Toutefois, certains Etats membres avaient des réserves pour des raisons opposées. Dans un souci de compromis, la Commission a proposé un texte articulé essentiellement autour de trois points :

- une définition claire de la procédure administrative de l'assistance mutuelle;
- un rappel précis du contenu de la procédure d'entraide judiciaire qui résulte de la convention du Conseil de l'Europe et de son annexe fiscale;
- l'extension du système envisagé à l'intérieur de la Communauté aux pays tiers et aux zones off-shore.


AmTtIés,
C. D. EHLERMANN.

Bruxelles, le 18 decembre 1989

NOTE BIO(89) 388(suite 1) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

ECOFIN COUNCIL (M. BERENDT)

Banking

The Council unanimously adopted the solvency ratio directive, so completing the package of measures necessary for a single market in the banking sector. The accompanying own funds directive was agreed in April 1989. The second banking directive, which is the central pillar of this Community legislation, was adopted on Friday December 15.

The solvency ratio directive implements in Community law the rules agreed by the Basle Committee on Banking Regulation and Supervisory Practices agreed in July 1988. It lays down percentage risk involved in different types of bank lending against which banks must match up to at least 8 per cent with their own funds.

At the June Council a transitional period was agreed until January 1 1996 for commercial lending against property, as practised in Germany, Denmark and Greece. This allowed a weighting of 50 per cent to be applied to such lending for this period, after which the weighting would rise to 100 per cent. The original proposal was that any new such lending would be counted at the higher rate as from 1993, but the German government was not happy with this clause and threatened to oppose the directive. The problem was resolved by allowing the transitional period to apply both to old and new lending. The Commission will make a report on all the derogations provided by the directive by the end of 1995.

Commenting after the Council, Sir Leon Brittan said that this was a red letter day not only for the financial services sector, but because financial services had a catalytic effect on the rest of the economy. Asked about the reciprocity provisions of the banking package, Sir Leon said that it was the best possible position for the Community in international negotiations, since it was so reasonable and in no way threatening except to anyone indulging in discriminatory practices.

Regards,


C.D. EHLERMANN

Brussels, 19 December 1989

NOTE BIO(89) 388 (suite 2) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

ECONOMIC AND MONETARY MATTERS (S. SONDERGAARD)

The Ministers adopted the Annual Economic Report and carried out, for the second time, a multilateral surveillance of the economies of the Member States in a restricted session.

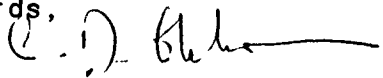
Because of the lacking opinion of the European Parliament, the Council was not able to adopt the two proposals for stage one of the EMU. The Parliament is expected to render its opinions on both the convergence decision and the central bank decision early next year and thus make it possible for the Irish Presidency to have these two important decisions adopted by the Eco-Fin.

The Ministers also discussed the balance of payment loan of 1 billion ECU for Hungary, to run over a 5 year period. The proposal of the Commission was positively welcomed by the Ministers and a formal adoption will take place after the IMF agreement with Hungary has been achieved and the opinion of the European Parliament has been presented.

A final decision on raising the ceiling of Euratom loans could not be taken in spite of a political agreement because of a reservation from Denmark. The Danish reservation has not yet been lifted.

It was not possible to reach any agreement on the new NIC loans, proposed by the Commission.

Regards,



C. D. EHLERMANN

Bruxelles, le 18.XII.1989

NOTE BIO (89) 388, suite 2 et fin AUX BUREAUX NATIONAUX
CC AUX MEMBRES DU SERVICE DU PORTE-PAROLE

REUNION MINISTRES ECO/FIN (G. Guarneri)

1) Suppression des frontières fiscales

Une décision extrêmement importante en vue de la suppression des frontières fiscales le 1er janvier 1993 a été prise à l'unanimité par le Conseil de Ministres de l'Economie et des Finances.

Un accord sur un mécanisme de rapprochement des taux de TVA a fait l'objet de la décision des ministres. Cet accord s'est fait sur la base d'un projet de conclusion de la présidence articulé autour de trois points essentiels:

- un accord qui entre en vigueur immédiatement sur une obligation pour les Etats membres de non divergence de taux par rapport à la fourchette de 14 à 20%;
- un accord sur la nécessité de définir avant le 31 décembre 1991 une fourchette de taux ou un taux minimum pour le taux normal à l'intérieur de la fourchette proposée par la Commission (14 à 20%);
- un accord sur le contenu de la négociation à conduire dans le même délai concernant les taux réduits et le taux 0 qui continuerait à s'appliquer dans certains Etats membres.

Ce système de rapprochement des taux complète les décisions qui avaient été prises au cours des Conseils ECO/FIN des 9 octobre et 13 novembre derniers concernant la perception de la TVA dans le pays de destination pour une période transitoire, l'allégement des charges administratives pour les entreprises et le contrôle de la fraude fiscale.

Mme Scrivener, tout en se félicitant des progrès réalisés en vue de la suppression des frontières fiscales le 1er janvier 1993, n'a pas été en mesure de s'associer pleinement aux conclusions de la présidence. En fait, il reste une réserve danoise sur le point essentiel de la suppression des limites aux achats des particuliers (suppression des franchises voyageurs) et la Commission ne pourra s'associer totalement qu'à un compromis global.

Conformément aux conclusions du Conseil Européen de Strasbourg, la Commission devra présenter des propositions qui rendront irréversible le processus d'abolition complète des frontières fiscales.

2) Fiscalité de l'épargne

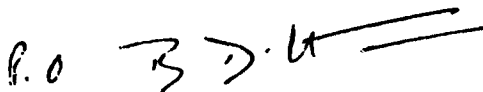
Un accord politique à "Onze" qui n'a pas été accepté par le Luxembourg, a été réalisé autour d'un texte de compromis présenté par la Délégation française sur le seul point restant à régler.

Les trois éléments fondamentaux de cet accord sont les suivants :

- un rappel précis de la procédure d'entraide judiciaire qui résulte de la Convention du Conseil de l'Europe et de son Protocole fiscal;
- une procédure administrative d'assistance mutuelle. Cette procédure administrative doit être basée, le cas échéant, sur des mesures adoptées par les Etats membres avant le 1er juillet 1990, permettant de fournir des informations en cas de présomption de fraude grave. Ces mesures devront permettre d'obtenir des renseignements auprès des établissements financiers même lorsque l'Etat requis n'a pas de possibilité d'obtenir ces renseignements pour ses propres besoins. Dans ce cadre, pour permettre aux Etats membres qui auraient des difficultés pour adopter de telles mesures avant le 1er juillet 1990, un délai de deux ans est consenti, pendant lequel seule une entraide judiciaire entrerait en vigueur, pourvu qu'elle permette d'atteindre les mêmes résultats que cette coopération administrative;
- le troisième élément est représenté par un engagement à explorer les possibilités d'une extension du même système aux principaux partenaires financiers de la Communauté, y compris les centres off-shore.

Un tel accord contient des mesures efficaces et équilibrées en vue de l'entrée en vigueur, le 1er juillet 1990, de la libération complète des mouvements des capitaux.

Amitiés,



C.D. EHLERMANN