



### HEADLINES

#### **EU/ Finances: Agreement on tax package at ECOFIN Council of 3<sup>rd</sup> June**

The Council of Economic and Finance Ministers of 3<sup>rd</sup> June reached an agreement on the 'tax package' that had been proposed by the Commission in October in order to tackle harmful tax competition and eliminate some of the remaining tax distortions in the Internal Market. The package consists of three measures, including a proposal for a Council directive on taxation of interest income from cross-border investments of savings that is paid to individuals; a Code of Conduct for business taxation, and a proposal for a directive to eliminate withholding taxes on payments of interest and royalties made between associated Companies of different Member States.

More info:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/787|0|RAPID&lg=EN&display=](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/787|0|RAPID&lg=EN&display=)

#### **EU/ Social Affairs: No agreement on temporary work before the end of 2003**

The Council of 3<sup>rd</sup> June did not come to an agreement on the temporary workers directive, which aims at giving minimum protection to temporary workers (temps) and open up the sector in countries with restriction on the use of temps. The main obstacles include first, the length of the period during which the principle of equal treatment of temps for pay would not apply (a majority of Member States favour equal treatment from the first day of the temps contract, with only a minority of them supporting a longer period than 6 weeks) and second, the restrictions on the use of temps. The Proposal will be given to the Italian Presidency.

Whereas the share of temporary work agency grew of 10% yearly between 1991 and 1998, its relative share of total EU employment still remains low at 1.4 % in 1998. The geographic distribution of the temps is very unequal within the EU, with four Member States employing about 80% of all temps (France, Germany, the Netherlands and the UK).

More info:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/796|0|RAPID&lg=EN&display=](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/796|0|RAPID&lg=EN&display=)

See also our last edition

#### **EU/ VAT: Consultation on place of taxation of the supply of services**

The Commission launched on 12<sup>th</sup> June a public consultation to gather views on how to improve the EU rules governing the Value Added Tax (VAT). The main goal is to assess the possibility of shifting taxation from the place where the supplier is established (current VAT system) to the place where the customer is placed. The idea, outlined in a report drafted by the Taxation and Customs DG, is to reduce administrative burdens, avoid distortions of competition and double or non-taxation of international services, which are all consequences of an increased cross-borders commerce. The

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report also considers the possibility of extending to supplies of services the system of electronic information exchange used between tax authorities, the so-called “VAT information Exchanges System” (VIES) system.

The Commission is expected to issue a proposal on this issue in the autumn, which should take into account the views expressed during the consultation.

The consultation is open until the end of June 2003

More info and consultation paper:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/829|0|RAPID&lg=EN;](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/829|0|RAPID&lg=EN;)

### **EU/ Convention: Draft institutional Treaty presented on 13th June**

The European Convention finalised the main part of the draft EU Constitution on 13 June. It will be presented to the EU leaders at their Thessaloniki European Council on 20 June 2003. Parts III and IV of the draft Constitution, covering EU policies, should be finalised towards the end of July.

The Convention’s draft constitution as proposed on 13 June addresses key aspects of the Unions’ institutional architecture and new tasks:

- The Charter of fundamental Rights would be integrated into the constitutional Treaty;
- The EU would have a **single legal personality**, allowing it to sign international treaties;
- The **European Parliament's** size shall not exceed 732 members, with a degressive proportional system of representation;
- The new “president” of the European **Council, elected** for up to five years, would replace the present six-month rotating presidency;
- From 2009 onward, the **Commission** shall consist of its president, the minister for foreign affairs/vice-president and 13 commissioners selected on the basis of a system of equal rotation between the Member States;
- The scope for decision to be taken by majority voting would be significantly extended, except for sensitive issues such as taxation and foreign affairs, and the European Parliament's role in decision-making being nearly doubled.
- A new **exit clause** will allow Member States to leave the Union.

More info: [http://www.europa.eu.int/futurum/index\\_en.htm](http://www.europa.eu.int/futurum/index_en.htm)

### **EU/ Taxation: Slight decline in EU tax burden since 1999 but overall taxation level remains high**

The last Eurostat report published on 13<sup>th</sup> June is the first comparative analysis of the evolution of taxation in the EU from 1995 until 2001. It shows that the overall tax burden (i.e. the total amount of taxes and social security contributions) stood at 41.1% of GDP in the EU, compared to 41,8% in 1999. However, a majority of EU Members States experienced an increase in the tax-GDP ratio, with Sweden (from 49,1% in 1995 to 54.1 in 2001) and Greece (from 32,6 to 36.8%) and Austria (from 42.4 to 45.6%) displaying the most significant increase. Only five EU members recorded a decrease in their tax-to DP ratio (Ireland by more than 2 points, Finland, Germany, Luxembourg and the Netherlands).

The tax burden is the highest in Sweden (54.1% of GDP), followed by Denmark (49,8%), Finland and Belgium (46% each). These results are direct consequences of two factors, being first, an increasing government spending since the 1970s and second, growing social welfare commitments.

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ESBA believes more efforts should be done to accelerate the decrease in tax burden and achieve the targets set by the Lisbon Process, since disproportionate tax ratios prevent our economies to strive and entrepreneurship to flourish.

More info:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=STAT/03/67|0|RAPID&lg=EN;](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=STAT/03/67|0|RAPID&lg=EN;)

### **EU/ Financial Services: Report calls for boosting capital market integration**

The 8<sup>th</sup> and last progress report on the Financial Services Action Plan (FSAP), published on 2<sup>nd</sup> June, concludes that the current financial outlook provides a strong case for integrating financial services within the EU and adopting the necessary legislative measures to create an integrated market. According to the report, it is crucial to complete all the legislative steps to implement the FSAP by 2005. The deadline for the adoption of legislative measures is April 2004, which means that a consistent effort by all EU and Members States' institutions is necessary to reach compromise on the remaining measures.

The full text of the Commission's progress report is available at:

[http://europa.eu.int/comm/internal\\_market/en/finances/actionplan/index.htm](http://europa.eu.int/comm/internal_market/en/finances/actionplan/index.htm)

More info:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/778|0|RAPID&lg=EN&display=](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/778|0|RAPID&lg=EN&display=)

### **EU/ Social Affairs: Proposal for a better co-ordination of social protection at EU level**

The Commission has adopted on 28 May a Communication which aims to improve and simplify the EU's work in co-ordinating Member States' social protection policies. The proposal 'Strengthening the social dimension of the Lisbon strategy: streamlining open co-ordination in the field of social protection', sets out how the EU should integrate co-ordination in the various fields of social protection into a single framework and process using the open method of co-ordination by 2006. These fields include pensions, social inclusion and combating poverty, healthcare and care for the elderly, social security systems and how they encourage people to work ('making work pay').

More info:

[http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/771|0|RAPID&lg=EN&display=](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/771|0|RAPID&lg=EN&display=)

## **IN BRIEF**

### **EU/ Internal Market: Commission promotes preventive dialogue with Member States**

In a report published on 23 May, the Commission stresses the importance of the compulsory procedure of prior notification by Member States of draft national regulations in the fields of online products and services, as this system helps reduce barriers to free movement of products and services.

The system, based on Directive 98/34/EC has been applied for almost 20 years, and recently extended to covers information society products (Directive 98/48).

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More info: [http://europa.eu.int/comm/internal\\_market/en/goods/general/](http://europa.eu.int/comm/internal_market/en/goods/general/)

### **EU/ Internet: Safer Internet Action Plan unveiled on 28 May**

A two year extension to the Safer Internet Action Plan has been adopted by the European Parliament and Council upon the proposal of the European Commission, as a response to tackling the controversial issue of illegal and harmful content on the Internet. The Action plan supports a network of hotlines in Europe where illegal content can be reported. It encourages self-regulation; benchmarks content filtering and rating systems. A so-called Safer Internet Forum will bring together actors in the field of self-regulation. First calls for proposals under the Safer Internet Action Plan (€13.3 million.) will be launched in July 2003.

More info : <http://europa.eu.int/iap> and <http://www.saferinternet.org>