Excise duty: provisional agreement on modernised taxation rules for alcohol

The EU is modernising the way alcohol products are taxed to reduce existing distortions in the single market.

Member states' ambassadors to the EU today provisionally endorsed, subject to further confirmation by the Council, to update excise duty rules on alcohol within the EU. Essentially, the updated rules on structures of excise duty are in particular expected to improve the business environment and reduce costs for small alcohol producers, while taking into account considerations related to health and efficient tax collection.

> Our common EU framework on how to tax alcohol is crucial to ensure that we all play by the same rules. However, over the past 30 years, the way we produce and consume alcohol has considerably evolved. Today, we are updating our rules to better reflect the latest developments in the alcohol industry.
>
> *Zdravko Maric, Deputy Prime Minister and Minister of finance of Croatia*

Excise duties are indirect taxes on the sale or use of specific products, such as alcohol, tobacco and energy. The revenue from these taxes goes entirely to the country to which they are paid. Since 1992, EU countries have had in place common rules, in particular minimum excise duty rates, to make sure that excise duties are applied in the same way and to the same products everywhere in the EU.

The reform includes the following changes:

- increasing the threshold for lower strength beer that can benefit from reduced rates from 2,8% volume to 3,5% volume. This change provides incentives for consumer to choose low-strength alcoholic drinks over stronger ones, thereby reducing alcohol intake. It also encourages brewers to be innovative and create new products of lower alcoholic strength.
- extending the special regime of reduced excise duty rates for small beer and ethyl alcohol producers to producers of other fermented beverages, such as cider.
- putting in place a common certification system in the EU for confirming the status of independent small producers, recognisable in all EU countries.
- clarifying the conditions for application of the exemption from excise duty rules for denatured alcohol, used for example in cleaning products.

The new rules will be formally adopted by the Council after the legal and linguistic finalisation of the Directive and national legislation transposing this Directive will apply from 1 January 2022.

Just Transition Fund: Council agrees on its partial negotiating position

The EU is taking steps to achieve its goal of a climate-neutral economy by 2050 in an effective and fair manner.

Today, EU ambassadors endorsed the Council's partial position for negotiations with the European Parliament on establishing a **Just Transition Fund**.

The aim of the fund is to **reduce the socio-economic costs** for those communities that are less equipped to meet the challenges of the green transition. It will focus, in particular, on regions and territories which need to **phase out production and use of coal, lignite, peat and oil shale, or transform carbon-intensive industries.**

> The Just Transition Fund is a fundamental part of the European Green Deal and indispensable for its success. It will play a key role in ensuring that we tackle climate change together as a Union, in a spirit of solidarity between member states and regions, so that no one is left behind.
>
> *Marko Pavić, Croatian Minister of Regional Development and EU Funds, President of the Council*

The Council's position is partial because the financial resources and budgetary provisions are excluded from the negotiating mandate and not yet part of the Council's position. The final amount of the fund will be decided when the EU's long-term budget for 2021-2027 is adopted.

In line with cohesion policy rules, the funding support will be made available to specific European regions and territories so that these can diversify their economies, create jobs and help people acquire new skills and competences.

The scope of the fund, as endorsed in the Council's position, also includes investment in SMEs and start-ups, research and innovation, transfer of advanced technologies, affordable green energy, as well as decarbonisation of local transport.

On the other hand, nuclear energy, tobacco products and fossil fuels are fully excluded from the scope of support.

The text of the Council’s partial mandate will be issued tomorrow, 25 June.

Next steps

Once the European Parliament has agreed on its position, negotiations will begin between the two institutions with the aim of reaching an agreement.

Taxation: Council agrees on the postponement of certain tax rules

To address the severe disruptions created by the COVID-19 pandemic, the EU will allow more time to comply with rules on cross-border information reporting and exchanges and VAT for e-commerce.

Directive on administrative cooperation in the area of taxation (DAC)

The Council adopted an **amendment to the DAC** allowing member states an option to **defer by up to 6 months** the time limits for the filing and exchange of the following information:

- automatic exchanges of information on financial accounts of which the beneficiaries are tax residents in another member state;
- reportable cross-border tax planning arrangements.

The severe disruption caused by the COVID-19 pandemic and lockdown measures to the activities of many financial institutions, tax advisers and tax authorities have hampered timely compliance with their reporting obligations.

Depending on the evolution of the pandemic, the amended directive also provides the possibility, under strict conditions, for the Council to extend the deferral period once, for a **maximum of three further months**.

Nevertheless, all relevant information will have to be reported to and exchanged by the tax authorities within the deferred deadlines.

VAT e-commerce

Member states’ ambassadors to the EU reached a preliminary agreement on **postponing by six months the application of the VAT regime applicable to online companies** – as of 1 July 2021, instead of 1 January 2021.

The postponement should be formally adopted by the Council, without further discussion, once the text has undergone a legal and linguistic review.

EIOPA publishes its second Discussion Paper on Methodological Principles of Insurance Stress Testing

The European Insurance and Occupational Pensions Authority (EIOPA) published today its second Discussion Paper on Methodological Principles of Insurance Stress Testing. In 2019 EIOPA initiated a process of enhancing its methodology for bottom-up stress testing which resulted in the first Methodological Paper setting out the methodological principles of insurance stress testing.

Based on a constructive dialogue and feedback received from stakeholders in the preparation of the first Methodological Paper, EIOPA follows the same approach and is now engaging with stakeholders to further enrich the stress test toolbox with additional elements to be potentially applied in future exercises. The second Discussion Paper is structured in three sections addressing the following topics:

- Stress test framework on climate change
- Approach to liquidity stress testing
- Multi-period framework for the bottom-up insurance stress testing

EIOPA invites stakeholders to provide feedback to be considered in the final Paper. To this aim, it contains a series of questions to collect feedback particularly on technical topics linked to key elements of insurance stress testing.

The Discussion Paper is part of a broader process to enhance EIOPA's stress testing framework. In this context, EIOPA will work on specific stress testing related topics such as the assessment of liquidity positions under adverse scenarios, assessment of the vulnerabilities towards climate-related risks and potential approaches to multi-period stress tests.

The Discussion Paper is open for comments until **Friday, 2 October 2020**. Stakeholders are invited to submit their feedback via email by using the provided template. Contributions should be sent to the following email address: eiopa.stress.test@eiopa.europa.eu

Contributions either not provided via the template, sent to a different email address or sent after the deadline will not be considered.

Unless requested otherwise, all contributions received will be published after the deadline for submission.

Contribute to the discussion paper

Increased support for EU farmers affected by the COVID-19 crisis: Council adopts exceptional measures

Today, the Council adopted a regulation which allows member states, as an exceptional measure, to pay up to EUR 7 000 to farmers and up to EUR 50 000 to small and medium enterprises (SME’s) active in processing, marketing or development of agricultural products or cotton, except fishery products. The aim is to make use of available funds under existing rural development programmes to provide support to farmers and SME’s worst-hit by the COVID-19 crisis and to address the liquidity and cash-flow problems stemming from the closures of shops, markets and restaurants.

> The COVID-19 crisis is a great test for EU solidarity. The act adopted today will help many farmers and small companies to continue to operate. It is also important to stress the swift response of both the Council and the European Parliament who agreed to approve this legislation urgently, ensuring support for one of the sectors worst-hit by the pandemic.
>
> *Marija Vučković, minister for Agriculture of Croatia*

The regulation allows member states to identify beneficiaries and to adapt the amount of payments, by defining objective and non-discriminatory eligibility conditions and possibly selection criteria.

In the case of farmers, such criteria may include:

- production sectors
- type of farming
- farm structures
- type of marketing of products
- number of seasonal workers

In the case of SME’s, the criteria may include:

- sectors
- types of activity
- type of regions

The support should be limited to a maximum 2% of the total contribution to the rural development programmes from the European agricultural fund for rural development (EAFRD). The payments are to be made by 30 June 2021, based on applications for support approved by 31 December 2020.

The regulation was adopted by written procedure.

Background

The adopted regulation amends Regulation (EU) 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). The Commission adopted its proposal on 30 April 2020. The European Parliament voted in favor of the amending regulation on 19 June 2020. After today’s adoption by the Council, the regulation will be published in the Official journal of the EU and will enter into force on the same day.