



COMMISSION OF THE EUROPEAN COMMUNITIES

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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT ON THE RESULTS OF THE SECOND
PHASE OF SLIM AND THE FOLLOW-UP OF THE
IMPLEMENTATION OF THE FIRST PHASE RECOMMENDATIONS**

SUMMARY

1. The Dublin European Council in December 1996 reiterated the importance of regulatory simplification and requested, in this context, the extension of the SLIM initiative. This confirmed the favourable reception by the Internal Market Council on 26 November 1996 of the Commission's report on the first phase of the project. Finally, the European Parliament, through the Crowley Report, manifested its strong support for SLIM and the efforts undertaken by the Commission in the simplification of legislation.
2. SLIM is not to be seen as an isolated simplification exercise. The Action Plan for the Single Market, endorsed by the Amsterdam European Council in June 1997, proposes that the Commission adopt a broader approach to simplification covering not only Community legislation but also national measures related to the Single Market. This "rolling programme of simplification" should encompass the SLIM methodology and other simplification exercises. The "Better Law Making" Report to be presented by the Commission at the European Council in Luxembourg in December will also provide an overview and emphasise Community action on simplification, including SLIM and other initiatives such as B.E.S.T..
3. This Communication intends to summarise the recommendations of the SLIM teams for the four areas discussed in this second phase, VAT obligations, Combined Nomenclature for External Trade, banking services and fertilizers; as well as the Commission's position towards these recommendations. Furthermore, it intends to inform the Council and the European Parliament on the progress being made in the implementation of the SLIM teams' recommendations from the previous phase.
4. Concerning the implementation of the recommendations from the first phase, it has to be underlined that the problems that have arisen in the implementation of the Intrastat recommendations (see below) show that there is a certain contradiction between, on one hand, the political determination to simplify, repeatedly expressed by the Internal Market Ministers, and the reluctance to adopt simpler data collection procedures and a simplified nomenclature for internal trade, on the other.
5. The SLIM teams comprised five experts from national administrations and five representatives of users of the legislation. They started their work in June 1997 and submitted their reports at the end of October 1997. Each team was chaired by a Chairman nominated by the Commissioner responsible for the legislation. One of the biggest concerns in this exercise was to increase transparency in the working of the teams. A particular effort was made to obtain the views of those Member States and parties concerned not participating directly in the teams.

I. Introduction

The Simpler Legislation for the Single Market (SLIM) initiative was launched by the Commission in May 1996 with strong encouragement and support from Internal Market Ministers. It was aimed at identifying ways in which Single Market legislation could be simplified. It was also part of the Commission's Confidence Pact for Employment. Simplifying legislation should contribute to the Pact's objectives of enhancing the competitiveness and employment potential of European business. It should also help to make the workings of the Union more transparent and effective, without decreasing the level of protection for citizens, workers or the environment.

The European Council in Dublin in December 1996 reiterated the importance of regulatory simplification and requested, in this context, the extension of the SLIM initiative. This confirmed the favourable reception by the Internal Market Council on 26 November 1996 of the Commission's report on the first phase of the project. Finally, the European Parliament, through the Crowley Report¹, manifested its strong support for SLIM and the efforts undertaken by the Commission in the simplification of legislation. The Commission announced² in May 1997, the launch of a second phase of SLIM: it would examine VAT obligations, the Combined Nomenclature for External Trade, fertilisers and banking legislation, taking into account the suggestions made by the Member States, the European Parliament, the Economic and Social Committee and business representatives.

The Commission took into account the following factors in choosing the areas for the second phase of SLIM:

- evidence that the legislation concerned imposed an excessive administrative burden on business as a result of its over-complexity;
- the need to ensure that the use of the SLIM methodology would bring added value;
- the need to achieve a balance between the objectives for each of the areas concerned and the operational capacities of the SLIM method (small teams working during a short period of time);
- the availability of sufficient resources within the Commission services;
- the desire not to interfere with exercises of legislative revision or consolidation already underway.

SLIM is not to be seen as an isolated simplification exercise. The Action Plan for the Single Market³, endorsed by the Amsterdam European Council, proposes that the Commission adopt a broader approach to simplification covering not only Community legislation but also national measures related to the Single Market. Such an approach should avoid any danger that SLIM might become an isolated initiative trying to cope with the problems stemming from over-complex legislation and, hence, have a limited impact. This "*rolling programme of simplification*" should encompass the SLIM methodology and other simplification exercises. With a view to maintaining the momentum of simplification, the Action Plan provides for two new phases of SLIM beginning in January and May 1998 respectively. The "Better Law Making" Report to be presented by the Commission at the European Council in Luxembourg

¹ Crowley report A4-0108/97 adopted on 9.4.97

² Commission's Working Document SEC(97)951 of 14.5.97

³ Communication of the Commission to the European Council, CSE(97)1 final of 4.6.97

in December will also provide and overview and emphasise Community action on simplification, including SLIM and other initiatives such as B.E.S.T..

II. The SLIM working method

The work of the SLIM teams has proved to be very fruitful in terms of proposals for simplification in the different areas. The small size of the groups has encouraged open debate leading to the identification of problems and solutions. However, the crucial yardstick for measuring the success of the SLIM methodology is the speed and ease with which proposals, stemming from the teams' recommendations are acted on, first by the Commission in preparing specific legislative proposals and actions; and subsequently by the Council and the European Parliament.

The problems that have arisen in the implementation of the Intrastat recommendations (see below) show that there is a certain contradiction between, on one hand, the political determination to simplify, repeatedly expressed by the Internal Market Ministers, and the reluctance to adopt simpler data collection procedures and a simplified nomenclature for internal trade, on the other.

The SLIM teams comprised five experts from national administrations and five representatives of users of the legislation. They started their work in June 1997 and submitted their reports at the end of October 1997. Each team was chaired by a Chairman nominated by the Commissioner responsible for the legislation.

Following the comments made after the conclusion of the first phase, the Commission has paid particular attention to improving transparency in the work of the teams. This was not easy task, particularly given the time constraints imposed on the work, but the teams' secretariats circulated meeting reports, written submissions and working papers, as quickly as possible. The teams also sent questionnaires to all Member States and other interested parties on the main issues to be discussed. It should be emphasised that all the teams, to varying degrees, received written contributions from Member States and user's representatives not represented in the teams. These contributions were closely examined and incorporated into the final discussions.

III. Follow-up of the SLIM Pilot Phase

A. Intrastat

1. Background

As regards the short term simplification measures implementing the recommendation of the SLIM/Intrastat team, the Commission has already adopted two regulations simplifying the **declaration of net mass⁴ and statistical value⁵**. Two draft EP/Council regulations⁶ concerning **the reduction of the data elements collected and a simplified nomenclature** have been submitted and discussed by the Economic Questions Council Group at its meetings of 15 July and 1 October 1997.

⁴ Commission Regulation (EC) 2385/96 of 16.12.96, O.J. L326 of 17.12.96

⁵ Commission Regulation (EC) 860/97 of 14.5.97, O.J. L123 of 15.5.97

⁶ Com(97)252 final of 30.5.97 and Com(97)275 final of 4.6.97

Other simplification measures envisaged for the medium and longer-term cover **studies on alternative collection methods** including sampling, a two-tier system, and the one flow system. **Accompanying measures** such as information campaigns and the extensive use of computer systems, to complement the short, medium and long-term measures are also planned.

2. Progress made

The **net mass regulation** entered into force on 1 January 1997, while the regulation on **statistical value** will come into force on 1 January 1998.

As far as the **reduction of the data elements collected** is concerned, Member States have shown strong opposition to the initial proposal presented by the Commission. However, a compromise tabled by the Presidency has been positively received, although no final agreement has been reached yet. The Commission has so far reserved its position on this compromise proposal, given that it implies more limited scope for simplification, especially for SMEs, than the initial Commission proposal. Regarding the Commission's proposal providing the introduction of a **simplified nomenclature**, the Presidency has taken note of the strong opposition from Member States, and no further progress has been made.

As regards simplification measures for the medium and long term, **the Commission has launched a large number of studies** in co-operation Member States aiming at assessing the impact on business, and especially on SMEs, of introducing alternative collection methods; such as sampling, a two tier system and a one flow system. The results and the evaluation of the studies are expected during the second half of 1998.

The **accompanying measures** mainly covered by the EDICOM programme have contributed to the improvement and modernisation of INTRASTAT, and have been supported by all parties. The EDICOM Council Decision⁷ covers this programme until December 1999. Taking into account that most likely the expected results of the studies will call for further revisions of the INTRASTAT system in the coming years, a high priority must be given to the enlargement and prolongation of this EDICOM programme.

B. Recognition of diplomas

In its Communication to the Council on the SLIM Pilot Project⁸, the Commission announced its intention to come forward with proposals to streamline the functioning of the Advisory Committees for diplomas and to simplify the updating of the lists of diplomas eligible for automatic recognition, before the end of 1997. In order to fulfil this objective, the Commission is currently finalising a proposal for a European Parliament/Council directive with a view to its adoption and transmission to the Council before the end of the year.

In the same document, the Commission announced its intention to pursue the recommendation to introduce a more output-oriented approach to the definition of education and training requirements in the context of a review of those requirements for the nurses' directive. The Commission services are examining this suggestion with the Advisory Committee for Training of Nurses

⁷ Council Decision 96/715/EC of 9.12.96, O.J. L327 of 18.12.96

⁸ Com(96)559 final of 6.11.96

C. Ornamental plants

In its Communication to the Council on the SLIM Pilot Project the Commission indicated its intention to come forward with proposals based on a thorough examination of the different options put forward by the SLIM Team. As a result of this examination, the Commission intends to make a proposal to the Council before the end of 1997 for a major revision of Directive 91/682/EEC. The aim of the proposal will be to simplify the existing legislation and enhance the competitiveness and employment-creating potential of business. For transparency's sake the proposal will probably take the form of a recasting of the directive and will deal in particular with the main problem areas identified by the SLIM Team.

D. Construction products

In order to simplify the Construction Product Directive (CPD) in accordance with the SLIM recommendations, efforts have focused on rendering the process of preparing standards in this field more efficient.

1. Adoption of decisions and mandates in an improved process

The Commission accelerated the elaboration of mandates for CEN, including the necessary underlying and accompanying decision. The immediate result after the SLIM exercise was the successful preparation of four mandates⁹. All have received a positive opinion of the Regulatory Committee on Construction and have been passed on to CEN which has to respond with a work programme. Following the timetable of the ten working programmes which have been transferred from CEN to the Commission, a harmonised standard for several construction products is to be expected in 1998.

The Commission also prepared mandates for establishing guidelines for European technical approval in a number of areas¹⁰. With regard to metal anchors in concrete the first CE marking according to the CPD will become a reality during the first half of 1998.

The harmonisation of most construction products presupposes harmonised norms for fire testing. With financial and administrative assistance from the Commission it has been possible to resolve these issues at last¹¹. Harmonised norms for fire testing will be available in 1999.

The Commission intends to present the most important remaining decisions and mandates to the Regulatory Committee by mid-1998. This means that 80%-85% of all construction products envisaged to fall under the harmonised scheme of the CPD will have been treated by the Commission. At the same time this covers the economically most important products or product families for the construction sector.

2. Amending the Construction Products Directive

Although preparatory work to establish harmonised technical specifications has been completed successfully in some areas and will be completed soon in others, it remains difficult to make progress for many construction products, and that, as a result, the Internal Market does not function to its full capacity. It therefore seems necessary to adapt the (CPD)

⁹ "Cement, Building Limes and Hydraulic Binders", "Reinforcing and Pre-stressing Steel for concrete", "Masonry products" and "Wood based Panels and related products"

¹⁰ External Thermal Insulation Composite Systems (ETICS) and Plastic anchors for use in concrete and masonry

¹¹ Decision 94/611/EEC on Euroclasses, mandate for reaction to fire, Decision on class A without testing 96/603/EEC, mandate for resistance to fire and Decision on the SBI configuration.

in order to remedy this situation. In accordance with the recommendation of the SLIM team, reiterated in the Action Plan for the Internal Market¹² and detailed in the Communication of the Commission on the Competitiveness of the Construction Industry¹³; the Commission intends to amend the CPD in order to bring it into line with other New Approach Directives. Those amendments would be aimed at making possible for manufacturers to apply for a CE marking, even in the absence of harmonised technical specifications, provided that the producer can demonstrate conformity of the product with the essential requirements of the directive. The proposed amendments would affect Article 4 and related provisions of the Directive.

IV. Recommendations of the SLIM teams in phase II.

A. VAT

1. Background

The current VAT system imposes excessive costs and constraints on business and discourages trade between Member States due to over-complexity of existing rules. Moreover, divergences in the application of national legislation distort fair competition within the Single Market.

The proper functioning of the Single Market, therefore, requires a reassessment of the current VAT system. With this aim, the Commission has adopted a working programme with a view to introducing a common VAT system¹⁴, based on the principle of a single place of taxation and allowing the establishment of a real Community fiscal area. Nevertheless, the implementation of such a programme, which consists of several stages, has to form part of a long-term strategy. For this reason the Commission has considered it necessary to consider right away complementary simplification measures that would reduce burdens for business while preparing the introduction of the new VAT system.

The SLIM team has examined a set of basic obligations related to the VAT, and particularly those imposed to operators in the framework of the 6th VAT Directive¹⁵, and the corresponding national application measures. Nevertheless, the SLIM exercise has not necessarily proposed a solution to all the problems that have been identified, since the examination of certain questions has shown that a solution can only be found in the implementation of the working programme or in the context of the work of several committees.

2. Recommendations

The recommendations of the SLIM teams focus on the following issues:

- modifying the rules applicable to tax representation;
- improving and reinforcing the system of mutual assistance on recovery;

¹² See above

¹³ Com(97)539 final

¹⁴ Com(96)328 du 22.07.1996

¹⁵ 77/388/CEE du 17.05.1977

- harmonising the registration formalities among Member States, establishing single "contact points", a single registration form and a single identification system for each firm in each Member State,
- studying: 1) the details considered necessary for drawing up an invoice for VAT purposes and the legal and technical requirements for electronic invoicing, 2) the possibility of creating a basic common VAT return and the usefulness of the various statements required by Member States, 3) the time allowed for refunding VAT by national administrations, 4) the possibilities and the different ways of reforming the tax-refund procedures laid down by the 8th VAT Directive¹⁶ in order to make it equally easy to recover tax paid within the country and tax paid in another Member State;
- improving the reliability of the information included in the common system of data exchange (VIES)¹⁷ and facilitating access for traders, examining the possibility of reducing the administrative burden imposed by the VIES system on SMEs and those firms with a low volume of intra-community trade;
- Taking into account the advantages of systematic registration of all firms subject to VAT, while studying the possibility of establishing bands of thresholds for taxation and the submission of returns by SMEs;
- Avoiding imposing superfluous supplementary obligations on traders.

3. Commission's position

The Commission intends to propose before the end of 1998 a reinforcement of mutual assistance on recovery, a legislative reform aiming at easing the tax representation, as well as undertaking a reflection on a more radical reform of the returns procedures to non-established subjects, of the tax paid in another Member State. Furthermore, a study will be undertaken in 1998 on electronic invoicing. The Commission is also disposed to examining the time needed for refund of the tax within the Community. The Commission will present shortly within the framework of its VAT strategic programme a proposal relating to the harmonisation of deductibility rights, and a study on the system applicable to SMEs. On this last point, the Commission has already invited Member States to grant SMEs longer deadlines to present their VAT declarations¹⁸. Concerning the VIES system, this has already been subject to several improvements since its creation in 1993, and it is difficult to achieve further progress in the framework of the current VAT system. Nevertheless, the SCAC Committee will in 1998 examine to what extent the burden on SMEs and firms with a low volume of intra-Community trade can be reduced. Finally, the Commission has already recommended in 1997 the creation of "single contact points" in each Member State¹⁹.

¹⁶ 79/1072/CEE du 6.12.1979

¹⁷ Regulation (CEE) n°218/92 of 27.02.1992

¹⁸ Recommendation n°97/344/CE of 22.04.1997

¹⁹ idem

B. Fertilisers

1. Background

The existing legislation on the marketing on fertilisers was selected to be examined under the SLIM because it presents several possibilities for improvement, such as simplification of the presentation of the legislation (currently 16 Directives), clarification of the scope of harmonised rules and streamlining the approval process and enforcement.

2. Recommendations

The SLIM team concluded that the fertiliser legislation in its present form works well in many respects. Its conclusions target all five possibilities for improvement and the team makes by unanimity the following broad proposals (See Annex 2 for more detailed description):

- that a single recasting Directive on fertilisers replaces the existing Directives, clarifying and modernising the legislative approach;
- definitions for fertiliser and for "EC Fertiliser" and delineates the scope of the harmonised rules, providing, inter alia, for future coverage of organic and organo-mineral fertilisers.
- a whole series of simplifications for the addition of new fertilisers.
- a uniform system of enforcement control and reporting by accredited laboratories, in keeping with the Action Plan for the Single Market²⁰;
- that the submission of Commission's proposals to add new fertilisers and new groups of fertilisers be preceded by an appropriate Scientific Committee examination.

3 Commission's position

The Commission endorses all the above recommendations and intends to make the relevant proposals with a view to their implementation. The specific recommendation to continue studying the problem of cadmium in fertilisers is already taken up and this work is in hand.

C. Combined Nomenclature for External Trade

1. Background

It was considered advisable to undertake a SLIM exercise for this area, in order to simplify the Combined Nomenclature used in external trade (CN) in a way which was compatible with the actions already proposed by the SLIM/Intrastat team.

The aim of the CN SLIM team was initially to target the elimination of CN subdivisions (CN codes) which have become obsolete in economic and trade terms, taking into account the proposals made by SLIM/Intrastat. However, in fulfilling its task the CN SLIM team decided to look at the future requirements for a CN used in external trade and to consider specific actions in order to reduce burdens on business. It also evaluated proposals to stop the growth and eventually reduce the size of the CN, which together with other proposals, would lead to a modernisation of the CN.

²⁰ See above

2. Recommendations

In view of the time-scale and the need for co-ordination with SLIM Intrastat exercise the CN SLIM team found it inappropriate to present detailed proposals which would require immediate action. Due to the time constraints, the team also considered it inappropriate to lay down a detailed schedule for the implementation of the actions resulting from its recommendations. However, it recommended that such actions be implemented as soon as possible within reasonable timeframes and that, as a result a continuous process of simplification and facilitation should be undertaken. The team decided to present **11 recommendations**, in particular by agreeing to establish a "Code of Conduct for maintaining, creating and deleting CN subdivisions to the HS nomenclature", which should result in an important reduction in the number of 8-digit CN subdivisions in the forthcoming years.

3. Commission's position

The Commission endorses the findings of the CN SLIM team; in particular setting up a 'Code of Conduct', targeting specific areas for simplification and providing tools to facilitate reporting of data. A cleaning-up exercise should start as soon as possible, in order to enable changes in the CN to be applied from 1.1.1999, and all headings in the CN should be validated (over a period of time).

These steps can be taken, initially, within the existing legal framework established by Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff (CCT)²¹. In some cases the successful outcome depends not only on the Commission, Member States and trade but also on the reactions of non-EU interested parties.

Regarding the first recommendation of the report on the use of one single nomenclature for intra and extra trade the Commission considers that this principle is compatible with measures proposed to simplify the nomenclature in the field of intra-Community trade statistics. These measures were submitted by the Commission to the European Parliament and Council in June 1997 following the SLIM/INTRASTAT phase I recommendations and are still under discussion (see above).

D. Banking services

1. Background

Banking directives are often described as technical and complex. The objective of the SLIM exercise was to examine whether this set of legislation could be simplified or improved, bearing in mind that some of these directives have been in place ten –and even twenty- years.

Given the time constraints, the team had to focus on the most important banking directives. It reached the overall conclusion that these banking directives could not be substantially simplified since the complexity of the directives corresponds to the complexity of the situations they address and often reflects the outcome of delicate negotiations at Council level. Furthermore, they constitute a coherent set of legislation reflecting close co-operation between the Commission and Member States.

The team concluded that most difficulties originating from the application of the EU banking directives were not the result of excessive complexity. Their origins were technical (the difficulty in applying the same rules to very different categories of credit institutions),

²¹ OJ No L 256 of 7.9.1987, p.1

The team concluded that most difficulties originating from the application of the EU banking directives were not the result of excessive complexity. Their origins were technical (the difficulty in applying the same rules to very different categories of credit institutions), procedural (the difficulty, inherent in the Union decision-making process, of legislating at a pace which corresponds to the rapid evolution of financial services and international standards), and political (divergence of views between Member States sometimes produce unsatisfactory compromises in the directives).

2 Recommendations

The SLIM team recommended by unanimously that:

- all relevant national, European and international institutions co-ordinate their action in order avoid double reporting requirements.
- steps are taken to ensure that measures of a purely technical nature or that have been subjects of lengthy discussions at international level benefit from a fast-track adoption procedure.
- inconsistencies or discrepancies between directives, which are revealed in the process of codification, are rapidly examined.
- the consequences of the abolition of the deadline laid down in Article 2§4 of the First Banking Directive (FBD) should be assessed with a view to deciding whether to extend the benefit of the derogatory regime to institutions other than those existing at the time of the adoption of the FBD.

A majority of members recommended the abolition of Article 20 of the Second Banking Directive, which provides for a prior notification of cross-border services, and that Member States channel the transmission of supervisory data via a "single focus point". Some members of the team recommended that the Commission launch a study in order to drawing an inventory of the various existing reporting requirements imposed on EU credit institutions and, if necessary, to suggest solutions for improving the situation. A minority of members also recommended that Member States draw up lists of those measures they consider to be of general good. These lists would then have to be transmitted to banks before they start carrying out their activities in the host country.

3 Commission's position

The Commission can endorse most of these Recommendations and invites all authorities, imposing reporting requirements to avoid duplication. The Commission will examine the functioning of the whole comitology procedure in the course of 1998. The Commission will shortly raise the various problems identified during the codification exercise in the the Banking Directives Interpretation Group. The Commission will take appropriate action to meet the Recommendation on Article 2§4 of the FBD.

Concerning the Recommendations made only by a part of the team, the Commission supports the abolition of Article 20 of the Second Banking Directive and will take all necessary steps to implement this recommendation. It welcomes the idea, in principle, of a "single national focus point" for reporting requirements, while recognising that it would be very difficult to make it operational in practise, and the idea of a study on reporting requirements, although it considers that the banking industry itself is better placed to undertake this survey. Finally, the Commission is sceptical about the possibility of drawing up lists of "general good"

measures. Nevertheless, it will examine the possibility to extend the information procedure, which currently prevails for cross-border branching to cross-border services.

The SLIM exercise on VAT**1. Changing rules governing the legislation on tax representation and on mutual assistance on recovery.**

The difficulties deriving from tax representation were already identified in the Commission report on arrangements for taxing transactions carried out by non-established taxable persons. The recommendations contained in this document were not implemented to a sufficient extent by the Member States on account of the complexity of the problem and the fact that it is closely linked up with the level of mutual assistance in recovery.

2. Harmonisation of registration procedures in the Member States

The Team wishes to see in particular:

- _ simplification of the formalities which have to be carried out by firms, especially at the start-up stage, by setting up single "contact points" responsible in each Member State for centralising the information contained in registration applications and transmitting them to all the other administrative departments;
- _ introduction of a single form for the registration of firms;
- _ providing for the establishment of an identification system whereby firms may use one number in all their contacts with the different administrations within the country.

3. Introduction of modern invoicing instruments.

This covers the content as well as the support of the invoice. The SLIM Team considers it necessary, therefore, to:

- _ establish what details are essential for drawing up an invoice for VAT purposes and determine the order in which they should appear;
- _ determine the legal and technical requirements for electronic invoicing at Community level in order to guarantee a level of security at least comparable to that of traditional invoicing.

4. Study the possibility of creating a basic common VAT return

The Team thinks that many Member States could still do much to simplify their VAT returns.

Though the Team does not consider that a harmonisation of returns can yet be considered, it thinks that it would already represent great progress if a basic common return could be devised which nevertheless left Member States free to require other details to be declared if necessary.

Finally, the usefulness of the various statements which Member States require traders to draw up in addition to returns, and the use which they make of them must be examined.

5. Studying the delays for refunding VAT by national administrations.

6. Study the possibilities and the different ways of radically reforming the procedures for refunding VAT to non-established taxable persons.

The tax-refund procedures laid down by the Eighth Directive must be thoroughly revised in order to make it equally easy to recover tax paid within the country and tax paid in another Member State. To that end, consideration could be given to the possibility of obtaining direct in the Member State of establishment a refund of the tax paid in another Member State, subject to the necessary flanking measures being introduced.

This reform must at one and the same time represent genuine simplification for traders, make it possible to improve the control of taxable persons by administrations and guarantee Member States their VAT revenue. It must also be accompanied by harmonisation of the rules on the right to deduct input tax.

7. Improving the VIES system and finding ways to reduce the administrative burden that this places on the small business

Member States must ensure that national databases are updated as swiftly as possible in order to guarantee the reliability of the system. In addition, they must provide the means to make consultation as easy as possible for traders.

The SLIM Team recommend that the Committee responsible for the exchange of information should undertake the task of examining to what extent it would be possible to reduce the burden borne, as a result of their obligations under the VIES, by small traders and firms with a low volume of intra-Community trade.

8. Take into account the special situation of small businesses

The Team considers that there is a strong case for systematic registration of all firms subject to VAT, irrespective of their turnover.

The Team notes that the administrative burden on small businesses varies very widely from one Member State to another and is sometimes disproportionate to their turnover.

The thresholds for taxation and the submission of returns must be revised. A study must be carried out to establish bands for such thresholds, which would apply to all small businesses within the Union.

9. Limit superfluous obligations

Member States must ensure that they do not impose on traders obligations which are not indispensable from a VAT point of view.

The SLIM exercise on Fertilizers

SLIM Recommendation	Commission's Position
<p>1. A recasting Directive on fertilizers, based on the Old Approach, should be proposed to Council and Parliament as soon as possible.</p> <p>2. The recasting Directive should provide for the following simplifications to the Dossier System for adding New Fertilizers to the Groups of fertilizers already included in the legislation:</p> <ul style="list-style-type: none"> • The establishment of a small ad-hoc group to advise the Commission in preparing proposals. • Stipulation that the criteria for deciding addition should be safety, protection of health/environment and efficacy under the intended conditions of use. • A requirement that the rapporteur provide validated test methods (preferably existing ones) and tolerances for proposals to add fertilizers to groups already in the legislation. • Provision be made for addition of groups of new fertilizers based on mixtures of existing EC fertilizers of the same nutrient type to the Annexes subject to appropriate conditions • Provision that reports in support of a proposal for addition of new fertilizers be peer-reviewed by Scientific Committees in cases where there are health and environment concerns. 	<p>Accept. This will be the vehicle to consolidate the existing legislation and to modernise and simplify the legislative approach.</p> <p>Accept. This will speed up the examination of dossiers. The details of the Composition and functioning of this group will be worked out when drafting the recasting.</p> <p>Accept. Efficacy would assured in large measure by specifications of minimum nutrient content for each fertilizer group.</p> <p>Accept. This will both speed up the examination of dossiers and facilitate enforcement.</p> <p>Accept. This will speed up the addition of fertilizers. The details of mixtures to be excluded for safety reasons will be decided when drafting the recasting.</p> <p>Accept. This will ensure that proposals on new fertilizers conform to the Commissions new policy on Scientific Committees. The choice of Scientific Committees would be the responsibility of the Scientific Steering Committee and would typically include the Scientific Committee on Toxicity, Ecotoxicity and Environment and the Scientific Committee on plants though it could include others.</p>

SLIM Recommendation	Commission's Position
<p>3. The recasting Directive should include the following particular conditions for adding new fertilizer groups to the legislation.</p> <ul style="list-style-type: none"> • An intermediate period during which proposals would be made on specifications and marketing conditions of fertilizers in these groups and the proposals would be subjected to rigorous independent checks. • New Groups to be added only after adoption of appropriate test methods, either by an ad-hoc working group of the Commission or by CEN. 	<p>Accept. This will ensure that proposals to add new groups of fertilizers conform to the Commission's new policies on Scientific Committees. The choice of Scientific Committees would be the responsibility of the Scientific Steering Committee and could include in addition to the Tox/Ecotox et Plants Committees, other Committees e.g. on Food, the BSE, Subgroup etc.</p> <p>Accept. This will facilitate enforcement in the spirit of the New Approach. The details of how methods should be developed and by whom will be decided in drafting the recasting.</p>
<p>4. The recasting Directive should provide for the following controls on enforcement.</p> <ul style="list-style-type: none"> • Controls to be attributed to a network of accredited laboratories. • Reports on controls to be established in keeping with the Action Plan for a Single Market 	<p>Accept. This will harmonise enforcement according to the New Approach.</p> <p>Accept. This will verify that enforcement is uniformly practised.</p>
<p>5. An Expert Scientific Group should be established to study further the problem of cadmium in fertilizers at EU level.</p>	<p>Already undertaken. This problem is already studied by the Working Group on Fertilizers, assisted by the Commission's consultant (ERM). DG III will refer the results of all current work to the appropriate Scientific Committees for peer-review and this could in turn lead to further work.</p>
<p>6. The recasting Directive to provide for labelling indicating the physical form of fertilizers e.g. blended fertilizers to be labelled "Blended" and this to be supplemented by appropriate codes of practice.</p>	<p>Accept. This will deal in a simple non-discriminatory way with problems potentially associated with blended fertilizers.</p>
<p>7. Organic and Organo-mineral fertilizers should be added after intermediate periods.</p>	<p>Accept. This will complete the Internal Market for these groups whilst ensuring a high level of protection to health, safety and the environment.</p>

The SLIM exercise on Combined Nomenclature for External Trade

1. In the first phase of SLIM one of the sectors selected was the Intrastat system, for intra-community trade statistics. In a working document dated 14 May 1997 the Commission also announced the opening of a second phase which included setting up a team, referred to as the CN SLIM team, to look at the combined nomenclature used in external trade.
2. The aim of the CN SLIM team was to target for elimination CN subdivisions (CN codes) which have become obsolete in economic and trade terms, taking into account proposals made in respect of the Intrastat system.
3. In fulfilling its task the CN SLIM Team looked at the future requirements for a CN used in external trade and considered specific actions in order to reduce burdens on business. Proposals to stop the growth and eventually reduce the size of the CN were evaluated by the team together with other proposals which would lead to a modernisation of the CN.
4. As a result of its work the CN SLIM team has put forward the following recommendations:
 - that one single nomenclature be used for intra-Community trade as well as for external trade
 - that the current basic coding structure of the CN be maintained, thus serving both tariff and statistical needs
 - that the Commission should refrain from fixing, in an arbitrary way, a threshold of the maximum number of CN codes in a simplified CN but should aim towards an important reduction of the total number of 8 digit CN codes starting from 1.1.1999 and onwards
 - that a "Code of Conduct" be established for the management of the CN (for example with regard to the process for maintaining, creating and deleting CN codes)
 - that a co-ordinated and balanced approach be sought in simplifying the CN by inviting providers and users of CN related information, on a sector basis, to participate in the process of simplifying the CN
 - that the Commission services, together with Member States and industry, examine specific areas of the CN, some of which are described in detail below, and establish a time-scale for the implementation thereof
 - that a validation process be carried out with regard to all CN codes
 - that, if the economic consequences are considered insignificant for a sector and if appropriate, proposals should be made to the Council which will enable the Commission by means of autonomous tariff measure to eliminate CN codes of a tariff nature
 - that the Commission in the HS Committee (meeting within the auspices of the World Customs Organisation (WCO)) advocate the need for maintaining the degree of simplicity appropriate to sectorial needs

- that the Commission in trade negotiations should continue to take into consideration the need to simplify and facilitate the use of the EU tariff
 - that the Commission services in collaboration with Member States should continue to develop tools in order to facilitate the tasks for providers of CN related information
5. In view of the time scale and the need for co-ordination with the SLIM Intrastat exercise the CN SLIM team found it inappropriate to present more detailed recommendations including proposals which would require immediate action.
 6. Some of the actions to be taken, if the recommendations are endorsed, will require amending the CN Regulation whilst others can be carried out within the existing legal framework. In some cases the successful outcome depends not only on the Commission, Member States and trade but also on the reactions of non-EU interested parties. Some actions may require the provision - on a temporary basis - of external resources.
 7. The CN SLIM team found it inappropriate to lay down a detailed schedule for the implementation of the proposed actions. Nevertheless, the CN SLIM team anticipates that such actions have to be carried out as soon as possible but within reasonable time frames for their implementation. It also considers that the CN SLIM exercise will lead to a continuous process of simplification and facilitation which may have repercussions beyond the CN itself (for example on the EU's TARIC system).
 8. As a result of these recommendations, in particular by establishing a "Code of Conduct for maintaining, creating and deleting CN subdivisions to the HS nomenclature", the CN SLIM team envisages an important reduction in the number of 8 digit CN subdivisions in the forthcoming years.

The SLIM exercise on banking services

Reporting requirements

Background: According to some members of the SLIM team, banks are presently faced with a growing number of reporting requirements both at the prudential level and for statistical and monetary purposes. This allegedly represents a considerable administrative burden and, in addition, the costs of such requirements are considered to be very high.

Recommendations:

- n°1: The SLIM team recommends that all relevant national, European and international institutions strive to co-ordinate their action in order to make sure that duplicative reporting requirements are avoided.
- n°2: The majority of the SLIM team recommends that, where supervisory data is required, in the same Member State, by more than one authority, these authorities examine the possibility to create, without prejudice to the rules concerning professional secrecy, a system whereby data submitted by institutions under their supervision are channelled via a single focus point.
- n°3: Half of the team recommends that a study be launched by the Commission in order to draw an inventory of the various existing reporting requirements imposed on EU credit institutions and, if necessary, to suggest some solutions to improve the situation; that a working group be created in order to prepare the Terms of Reference of this study.

Commission position: The Commission supports Recommendations n° 1 and 2 and invites any competent authority concerned to take them into account, even if it considers that the idea of a "single focus point" would be very difficult to operate in practice. The Commission, not being a supervisory body, does not (with some limited exceptions) impose reporting requirements or collect any data and cannot therefore apply the Recommendation to itself. As far as Recommendation n° 3 is concerned, the Commission considers that the study should be carried out by the banking industry, which is best placed to collect all the information necessary to make this inventory. The Commission would be prepared to examine the study and take any appropriate measure within the limits of its competence.

Decision making process

Background: All members deplored the fact that existing procedures did not permit the quick adoption or modification of EU banking rules, for example to adapt relevant EU legislation to the new developments in financial markets or in international supervisory fora (e.g. BIS).

Recommendation: The SLIM team recommends that the Council, the European Parliament and the Commission take all necessary measures to ensure that measures which are either of a purely technical nature or which have already be discussed at length at international level, benefit from a fast-track procedure.

Commission's position: The Commission supports this Recommendation. Following the Amsterdam Declaration, it has undertaken to examine the functioning of the Comitology procedure in the course of 1998.

Codification

Background: The codification exercise revealed inconsistencies or discrepancies between various directives. These problems could however not be addressed in the framework of the codification.

Recommendation: The SLIM team stresses the importance of the codification and recommends that the inconsistencies or discrepancies which are unveiled in the framework of the codification be rapidly examined by a working party composed of national experts and the Commission, with a view to submitting to the Council a proposal amending the codified text if deemed necessary.

Commission position: The Commission supports this Recommendation. Work will soon start on these discrepancies in the "Groupe Technique d'Interpretation des Directives Bancaires".

Smaller credit institutions

Background: Members discussed whether complex and sophisticated rules designed for large institutions or for institutions with an international dimension (rules of the Capital Adequacy Directive -CAD- for example), should apply in the same manner to small banks or to banks operating within a local or regional radius.

Recommendation: The SLIM team recommends that, in future EU legislation, attention should continue to be paid to the specific situation of smaller credit institutions.

Commission position: The Commission supports this Recommendation and will, as far as possible, respect it in future proposals. It invites any other institution involved in the decision making process to take it into account.

General good rules

Background: The issue is whether the fact that Member States are not obliged to inform banks planning to carry out services within their territory about their national general good rules, is an obstacle to the freedoms to establish branches and to provide cross-border services.

Recommendation: Some members of the team (not representing the majority of its members) recommend that, for the sake of transparency, Member States should be required to draw up lists of their measures which they consider to be of general good. These lists would then have to be transmitted to incoming banks, applicable to banking activities, before they start carrying out their activities in the host country.

Commission position: The Commission has, in the past, tried to establish such lists in the framework of the Banking Directives Interpretation Group. This exercise failed, given the amount of measures potentially concerned and the uncertainties about the limits of the notion of general good. The Commission could however examine to what extent the "triangular" procedure laid down in article 19§4 of the Second Banking Directive for branches, could be extended to cross-border services.

Notification

Background: The issue is whether the prior notification procedure for the provision of cross-border services is an obstacle which should be abolished or, on the contrary, is a useful tool to secure consumer protection.

Recommendation: With the exception of two of its members, the SLIM team recommends the abolition of article 20 of the Second Banking Directive.

Commission position: The Commission supports this Recommendation. It considers that the situation of the Investment Services Directive, which contains a similar procedure, should also be examined.

Observation ratios

Background: Whilst recognising the merits of these ratios, members considered that, the way it is organised now, this collection of data for the calculation of all ratios mentioned in article 6 of the First banking directive (liquidity, solvency and profitability) is burdensome.

Recommendation: Considering that most of its members are in favour of the abolition of article 6 of the directive, the SLIM team recommends that the Groupe de Contact and the BAC be invited to determine the value of the exercise, and consider amending the data collection procedure and its frequency.

Commission position: The Commission supports this Recommendation and will raise this issue with the two bodies mentioned.

List of credit institutions

Background: The directive requires that the Commission publishes in the Official Journal an up-to-date list of all credit institutions authorised in the Union. All members agreed that, in its current format and periodicity, the list does not serve its intended purpose.

Recommendation: The SLIM team recommends that the list should be published either in the OJ or by any other medium available and recommends that the Commission be invited to submit proposals to that effect before the end of 1998.

Commission position: The Commission supports this Recommendation. Work is already underway. Proposals will, as recommended, be submitted before the end of 1998.

Article 2§4 of the First Banking Directive

Background: The team discussed the possibility to extend the scope of article 2§4 of FBD (which allows banks which were, at the time of notification of the FBD, affiliated to a central body which supervises them to be exempted from certain requirements) to banks created after the notification of the FBD.

Recommendation: The SLIM team recommends that the consequences of the abolition of the deadline laid down in article 2§4 of the First Banking Directive be assessed with a view to deciding whether to extend the benefit of the derogatory regime to institutions other than those existing at the time of the adoption of the FBD. In particular, it should be examined if such an extension could lead to competitive distortions. The SLIM team recommends that the Commission take all necessary steps to perform this evaluation and, if necessary, presents the necessary proposals to the Council.

Commission position: The Commission supports this Recommendation and will take any appropriate action.

Article 4§6 of the Capital Adequacy Directive

Background: Members discussed whether the thresholds of 5% and ECU 15 million under which some institutions can calculate their market risks in accordance with the solvency ratio directive and not with the CAD were too low and should be revised.

Recommendation: The SLIM team recommends that those who consider that the thresholds mentioned in article 4§6 of the capital adequacy directive should be revised introduce a well argued request to the Commission to that effect. The Commission would then have the possibility to propose to the Council the revision of the thresholds pursuant to the procedure laid down in article 10 of the CAD.

Commission position: The Commission will carefully examine any well evidenced request put to it and, if appropriate, present a proposal aiming at revising the thresholds.

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