Common Statement by the Finance Ministers from Slovenia, Croatia and Austria

Unlocking the EU's productivity: a finance ministers' perspective

We, the finance ministers of Slovenia, Croatia and Austria, gathered in Graz on 28 May 2024, emphasise the cordial relationship and the blossoming economic ties between our three countries. In light of the European Parliament elections taking place in June – with voting an essential part of our collective European democracy – as well as the upcoming start of the EU's new legislative cycle, we highlight a number of common priorities for policies in the ECOFIN Council's remit.

In our view, the Capital Markets Union (CMU) is one of the EU's key projects, as unleashing capital markets is essential for economic growth and ensuring the necessary investments in the green and digital transition. Since the launch of the initiative, much progress has been made to improve the workings of Europe's capital markets. Much more remains to be done, however, in terms of harmonising the regulatory framework and reducing red tape, especially when it comes to the financing needs of small and medium-sized enterprises. We therefore welcome the statement of the Eurogroup in inclusive format on the future of the Capital Markets Union of 11 March. The attached annex goes into more detail on several common priorities regarding the CMU:

- The need to consider the priorities of all Member States
- Debating centralised supervision at a later stage
- A pragmatic approach regarding the securitisation framework
- Harmonising the requirements for companies to be listed on exchanges
- Eliminating national barriers for institutional investors
- Making tax systems more supportive of investments in capital markets
- Expanding financial literacy and market participation among the EU population

Globally, the EU is still one of the most innovative, secure and prosperous large economic blocs. To keep it this way in the currently tense geopolitical environment, the EU needs to ensure its future productivity and competitiveness by developing a sensible industrial policy and adapting to the current and future changes in the energy landscape. Avoiding fragmented national measures is key to ensuring a well-functioning, globally linked Single Market that also mobilises the private investment that Europe needs. As with capital markets, maximising free economic flows across the internal borders is key to build on existing strengths and developing new ones, while avoiding attempts to imitate the success of others. Part of the green and digital transition is changing the way finance ministries interact with the economy – green budgeting, tax reforms encouraging sustainability and economic innovation and cutting red tape with the help of digital technologies are possible ways to tackle this.

We are committed to further deepening the cooperation with our neighbours in the Western Balkans and fully support the region's efforts on its way towards European integration. In this context, we welcome the recent agreement on the Reform and Growth Facility for the Western Balkans worth EUR 6 billion to advance economic growth in the region, accelerate structural and institutional reforms as well as to strengthen its alignment with the European Union. There can be no doubt that the future of the Western Balkans lies within the EU and we will remain committed to driving forward an agenda for a deeper partnership.

ANNEX: The Capital Markets Union as a key EU project

In the coming years, the focus of the EU's efforts when it comes to capital markets, savings and investments should be on reducing the administrative burden as well as compliance and transaction costs for all involved, in particular for small market participants such as SMEs and retail investors. This would help to strengthen the EU's competitive position as a global finance centre without reducing investor protection and existing supervision standards.

At this stage, the discussion should focus on strengthening the CMU through practical measures while taking into account the need for a balanced development of capital markets across the EU. An inclusive approach that considers the interests of all Member States is key to the success of the CMU project. The developments in larger and smaller financial centres and capital markets should take place in parallel and complementary to another. The debate on whether we need to centralise supervision should come at a later stage, after examining a broad range of options to enhance supervisory convergence through a more efficient and effective use of the existing powers of the European Supervisory Authorities.

Some market consolidation may occur; however, this should not be forced top-down through centralising regulation but as a natural consequence of decisions by individual market participants.

We encourage the European Commission to take a pragmatic approach and review the framework for securitisation to allow for a revival of EU securitisation markets for the benefit of SMEs, while at the same time keeping risks mitigated/controlled and avoiding the need for public guarantees behind securitisations.

Facilitating the financing of business through public asset markets is an important goal; in this respect, we welcome the recent adoption of the Listing Act, which can serve as a good basis. Further harmonisation of listing requirements on exchanges in the EU should remain an important focus in order to make financing easier and more attractive, especially for SMEs.

Institutional investors such as pension funds should not experience any difficulty when investing across borders within the EU. Any situation where institutional investors interested in investing in the EU are forced to opt for options outside the EU due to this kind of barriers is unacceptable.

We are committed to creating an attractive investment environment, providing citizens with incentives encouraging a better use of capital markets opportunities. In this context, we will also assess possible ways to make our respective tax systems more supportive of investments in capital markets. We are particularly committed to introducing tax policy measures that encourage retail investor participation, such as a capital gains tax exemptions/incentives for long-term retail investment products. Furthermore, we call on Member States to share best practices and their experiences in this regard amongst themselves.

Expanding financial literacy among the EU population must be an important part of the CMU efforts, with a wide focus on children and youth, young adults, the wage-earning population and pensioners. SMEs should also be properly addressed. Retail investors' participation in sovereign debt markets benefits both consumers and the countries they invest in. We commit to further exploring expanding our respective offers in this respect. In addition, the possibility to invest in sustainable sovereign assets is highly appreciated both by retail and institutional investors.

In Croatia, tax policy measures are contributing to the development of the capital market by incentivising retail participation. Specifically, income from interest and income from capital gains from investment or disposal of debt securities and money market instruments issued by the state and local and regional self-government units are exempt from income tax.

In Slovenia, Interests earned by residents from Bonds issued by the Republic of Slovenia in the years 2024, 2025 or 2026 are not subject to Personal Income Tax if the amount of such interests do not exceed 1,000 euros (and the resident does not earn interest on cash deposits at banks and savings banks established in Slovenia). No income tax is payable on the capital gain achieved from the sale of such Bonds.

In Austria, income (including capital gains) from financial markets (from stocks, bonds, derivatives, etc) are generally taxed at a flat rate (27,5%). Just as for income from savings accounts, a withholding tax applies for income from domestic sources. In 2022, the law was amended to include income from crypto assets. In the spirit of strengthening the Capital Markets Union, the minister of finance has proposed several ideas to encourage long-term retail investment participation in Austria – such as a tax-exempt pension savings product or a retention period for capital gains tax exemptions.