Council of the European Union

PRESS
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BACKGROUND BRIEF[1]
Brussels, 14 February 2025

Economic and Financial Affairs Council
Brussels, 18 February 2025

Chair: **Andrzej Domanski** Polish minister for finance

European Commission's representatives: Executive Vice-President **Stephane Séjourné**, Executive Vice-President **Raffaele Fitto**, Commissioner **Valdis Dombrovskis**, Commissioner **Maria Luís Albuquerque.**

Starting time: 10:00

Media opportunities:

- press conference after the Eurogroup (Monday 17 February at +/- 18.30)
- doorstep by Andrzej Domanski (Tuesday 18 February at +/- 08.30)
- press conference after the Economic and Financial Affairs Council (Tuesday 18 February at +/- 14.00)

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The Commission will present the **Competitiveness Compass** initiative to ministers. They will have the opportunity to continue their policy debate on competitiveness, simplification and improving the business environment in Europe.

Ministers will be informed of the state of play of the **economic and financial impact** of Russia's aggression against Ukraine, based on an update by the Commission, including on the implementation of EU restrictive measures or sanctions against Russia.

The Council will aim to approve its **guidelines for the EU's annual budget for 2026**. The Council is expected to adopt a recommendation on the **discharge** to be given to the Commission in respect of the implementation of the **budget for 2023.**

Taking work forward on the **European Semester 2025**, the Council plans to approve conclusions on the Alert Mechanism Report 2025 and agree on the 2025 recommendation on the economic policy of the euro area.

The Council is expected to adopt a recommendations regarding the **medium-term fiscal-structural plan of Hungary** in the context of the implementation of the economic governance framework.

The Council is also expected to adopt a recommendation for Hungary to take effective action to correct its **excessive deficit** within a given time period.

The Council plans to adopt implementing decisions approving **modified recovery and resilience plans**, submitted by Latvia and Belgium.

The Council will aim to adopt a revised **EU list of non-cooperative jurisdictions** in the field of taxation.

[1] This note was drawn up under the responsibility of the press office.

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The Council is expected to approve the EU terms of reference in view of the **G20 Finance Ministers and Central bank Governors** meeting that will be held on 26-27 February 2025.

The presidency will present the **state of play** of legislative proposals in the field of financial services.

As a point without discussion, the Council will formally adopt a directive on the **electronic VAT exemption certificate**.

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The **Eurogroup** will meet at 15:00 on Monday 17 February to discuss:

In regular format:

- Update by Bulgaria on its state of convergence
- Macroeconomic outlook and prospects for the euro area in a rapidly
- evolving global landscape
- Euro Area Recommendation– EAR for 2025 and its role going forward
- Eurogroup Work Programme until July 2025
- Miscellaneous

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Eurogroup - meeting page

Economic and Financial Affairs Council - meeting page

Eurogroup - video coverage in broadcast quality (MPEG4) and photo gallery

Economic and Financial Affairs Council - video coverage in broadcast quality (MPEG4) and photo gallery

Press conferences and public events by video streaming

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Competitiveness and improving business environment

The Commission will be invited to present **the Competitiveness Compass initiative.** According to the Commission, the Competitiveness Compass sets a path for Europe to become the place where future technologies, services, and clean products are invented, manufactured, and put on the market, while being the first continent to become climate neutral.

The Draghi report, published in September 2024 identified three transformational imperatives to boost competitiveness. The Competitiveness Compass sets out an approach, together with a selection of flagship measures to translate these imperatives into reality in the coming years:

- closing the innovation gap
- a joint roadmap for decarbonisation and competitiveness
- reducing excessive dependencies and increasing security

These cardinal points are complemented by action on horizontal enablers, which are necessary to underpin competitiveness across all sectors:

- simplifying the regulatory environment, reducing burden and favouring speed and flexibility
- fully exploiting benefits of scale offered by the single market, notably by removing barriers
- financing through a savings and investments union and a refocused EU budget
- promoting skills and quality jobs while ensuring social fairness
- better coordinating policies at EU and national level

A timeline and non-exhaustive list of planned initiatives is set out in the Compass.

This will be the first exchange of views on the Competitiveness Compass within the Council.

Ministers also will have the opportunity to continue their exchange views on competitiveness, simplification and improving the business environment in Europe.

A Competitiveness Compass for the EU (European Commission)

The Draghi Report on EU competitiveness

Russia's aggression against Ukraine

Ministers will share their views on the state of play of the economic and financial impact of Russia's aggression against Ukraine, based on an update by the Commission, including on the implementation of sanctions.

Ministers will be informed about the economic and budgetary situation in Ukraine, including on the implementation of the Ukraine Facility and the implementation of the G7 agreement on a loan of approximatively $50 billion (€ 45 billion) to Ukraine to be serviced and repaid by future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets.

Immobilised assets: Council greenlights up to €35 billion in macro-financial assistance to Ukraine and new loan mechanism implementing G7 commitment (press release, 23 November 2024)

G7 Leaders' Statement on Extraordinary Revenue Acceleration (ERA) Loans

EU solidarity with Ukraine (background information)

EU response to Russia's invasion of Ukraine (background information)

The Ukraine Facility

EU annual budget for 2026

The Council will seek to approve its guidelines for the 2026 EU budget. The approved guidelines will provide political guidance to the Commission in preparing the draft budget proposal for next year. The Commission usually endeavours to present its draft budget in June of the previous year.

The EU's annual budget (background information)

Budget discharge for 2023

The Council is due to adopt a recommendation on the discharge to be given to the Commission in respect of the implementation of the budget for 2023. The Council is expected to recommend that the European Parliament grants the discharge.

In accordance with Article 319 of the TFEU, the European Parliament, on a recommendation from the Council, grants discharge to the Commission in respect of the implementation of the budget. The Court of Auditors' annual report, which includes a statement of assurance regarding the reliability of the EU accounts, as well as the legality and regularity of the underlying transactions, is examined in detail by the Budget Committee in order to draft the Council recommendation.

The Council is also expected to adopt individual recommendations for other EU bodies established under the TFEU and the Euratom Treaty (decentralised agencies), executive agencies and public-private partnership bodies (joint undertakings).

European Semester 2025

Taking work forward on the European Semester, the Council will seek to approve the 2025 Council recommendation on the economic policy of the euro area. The Council will also aim to approve conclusions on the alert mechanism report 2025.

The Commission presented the alert mechanism report and the draft euro area policy recommendation to ministers on 21 January 2025.

The Council recommendation on the economic policy of the euro area addresses key issues for the functioning of the euro area. The aim is to better integrate the national and euro-area dimensions of EU economic governance.

The alert mechanism report reviews macroeconomic developments in individual member states. Its key deliverable is a list of member states for which an in-depth review is warranted. It is based on a scoreboard of indicators which help monitor external imbalances and competitiveness, as well as internal imbalances in the member states. These indicators are combined with additional information to evaluate the risk of imbalances.

If some of the indicators in a given country exceed the agreed threshold, this is the first sign of potential macroeconomic imbalances. This information helps the Commission to decide whether to conduct an in-depth review.

Introduced in 2011, the European Semester enables EU member states to **coordinate their economic, fiscal and employment policies** throughout the year and address any economic challenges facing the EU.

The European Council will be invited to endorse the Council recommendation on the economic policy of the euro area. After that, the Council will be able to proceed with its formal adoption.

Draft Council recommendation on the economic policy of the euro area

Explanatory note - Accompanying document to Council recommendation on the economic policy of the euro area 2025

Draft Council conclusions on the Alert Mechanism Report 2025

European Semester in 2025

The European Semester explained (background information)

Economic governance framework

The Council is expected to adopt a recommendation regarding **Hungary's medium-term fiscal-structural plan** in the context of the implementation of the economic governance framework.

The EU's economic governance framework is a set of common rules for national fiscal and economic policies which apply to all member states. They serve to ensure the sustainability of public finances and promote convergence while addressing macroeconomic imbalances.

The economic governance review is based on the Treaty on the Functioning of the EU (TFEU) that sets reference values for government deficit and public debt levels at:

- 3% for the ratio of the planned or actual government deficit to gross domestic product (GDP) at market prices
- 60% for the ratio of government debt to GDP at market prices.

On 30 April 2024, the EU's reformed economic governance rules entered into force. Under the new framework, each member state must prepare a medium-term fiscal structural plan, spanning four or five years. These plans contain member states' fiscal trajectory and commitments in terms of reforms and investments, and contribute to ensuring sustainable government finances and promoting strong, sustainable and inclusive growth.

Based on a country-specific reference trajectory or technical information supplied by the Commission, member states are to incorporate their fiscal adjustment path, expressed as a net expenditure path, into their national medium-term fiscal structural plan.

The net expenditure paths, contained in the national medium-term fiscal structural plans have to be endorsed by the Council, further to an assessment by the Commission.

On 21 January 2025, the Council adopted recommendations endorsing the first medium-term fiscal-structural plans and set the net expenditure paths for Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

Draft Council Recommendation endorsing the national medium-term fiscal-structural plan of Hungary

Economic governance framework: Council sets fiscal expenditure paths for 21 member states (press release, 21 January 2025)

Economic governance framework (background information)

Excessive deficit procedure

The Council will also aim to adopt a recommendation **for Hungary to take effective action to correct its excessive deficit** within a given time period.

On 26 July 2024 the Council launched excessive deficit procedures against seven member states, Belgium, France, Italy, Hungary, Malta, Poland and Slovakia, and kept the excessive deficit procedure launched in April 2020 open for Romania.

In January 2025 the Council adopted recommendations for Belgium, France, Italy, Malta, Poland, Slovakia and Romania to correct their excessive deficit situation within a set time period.

For Hungary, the adoption of its recommendation was postponed to the February Ecofin Council meeting. The corrective paths for member states which are under an excessive deficit procedure, and their net expenditure path as set by the Council in the recommendation on their medium-term fiscal-structural plans, need to be consistent. Hungary submitted its medium-term fiscal-structural plan on 4 November 2024. The Commission finalised its assessment of the plan on 16 January, which was too late for the Council to adopt the recommendation at the January Ecofin Council. The adoption of both recommendations for Hungary is therefore scheduled for the February meeting.

The excessive deficit procedure (EDP) is a mechanism designed to ensure that EU member states return to or maintain discipline in their governments' budgets.

To limit government deficit and debt, member states have agreed reference values, which they have enshrined in the EU treaties: a 3% deficit ratio and a 60% debt ratio. The ratios are always calculated relative to a member state's GDP.

If an excessive deficit occurs in a member state, the aim of the excessive deficit procedure is to prompt its correction by putting member states under enhanced scrutiny and providing recommendations for them to take effective action to correct the deficit. Ultimately, the goal is to strengthen member states' debt sustainability.

Under the new economic governance framework, once an excessive deficit procedure has been launched, the Council shall make a recommendation to the member state concerned to take effective action to bring the situation of excessive deficit to an end within a set deadline.

In its recommendation, the Council shall also request that the member state implements a corrective net expenditure path which ensures that the general government deficit is brought and maintained below the 3% of GDP reference value within the deadline set in the recommendation.

Economic governance framework (background information)

Excessive deficit procedure (background information)

Recovery and Resilience Facility

The Council is expected to adopt implementing decisions approving targeted amendments submitted by Belgium and Latvia to their recovery and resilience plans.

The RRF is the EU's large-scale financial support programme in response to the challenges the COVID-19 pandemic has posed to the European economy. It is the centrepiece of NextGenerationEU, a temporary recovery instrument that allows the Commission to raise funds to help repair the immediate economic and social damage caused by the pandemic.

To benefit from the facility, member states must submit recovery and resilience plans (RRPs) to the Commission, setting out the reforms and investments they intend to implement by the end of August 2026.

The RepowerEU regulation, in force since 1 March 2023, aims to end the EU's dependence on Russian fossil fuels by saving energy, diversifying energy supplies and accelerating the clean energy transition.

Under the REpowerEU regulation, EU countries have added specific chapters to their national RRPs in order to finance key investments and reforms which will help achieve the REPowerEU objectives. RepowerEU increases the RRF financial envelope by €20 billion in new grants.

To date, all RRPs have been approved, 86 payment requests have been received and more than €306 billion have been disbursed.

A recovery plan for Europe (background information)

REPowerEU: energy policy in EU countries' recovery and resilience plans (background information)

EU list of non-cooperative jurisdictions in the field of taxation

The Council will seek to approve conclusions on the revision of the EU list of non-cooperative jurisdictions for tax purposes (without discussion).

The updated EU list of non-cooperative tax jurisdictions includes countries that either have not engaged in a constructive dialogue with the EU on tax governance or have failed to deliver on their commitments to implement the necessary reforms. Those reforms should aim to comply with a set of objective tax good governance criteria, which include tax transparency, fair taxation and implementation of international standards designed to prevent tax base erosion and profit shifting.

The code of conduct group, the Council body which prepares the updates of the list, is cooperating closely with international bodies such as the OECD Forum on Harmful Tax Practices (FHTP) to promote tax good governance worldwide. The group is also responsible for monitoring tax measures in the EU member states. The chair of the group maintains regular dialogue with jurisdictions concerned.

The EU list of non-cooperative jurisdictions for tax purposes was established in December 2017. It is part of the EU's external strategy on taxation and aims to contribute to ongoing efforts to promote tax good governance worldwide. Jurisdictions are assessed on the basis of a set of criteria laid down by the Council.

Work on the list is a dynamic process. Since 2020, the Council has updated the list twice a year. The conclusions include two Annexes. Annex I of the Council conclusions contains the EU list of non-cooperative jurisdictions for tax purposes. Annex II of the conclusions include a state-of-play document that identifies cooperative jurisdictions which have made further improvements to their tax policies or related cooperation.

EU list of non-cooperative jurisdictions for tax purposes (background information)

VAT

As a point without discussion, the Council will formally adopt a directive on the electronic VAT exemption certificate.

The directive will provide for an electronic certificate to replace the existing paper certificate that is used when goods are to be exempt from VAT, for example because they are imported for embassies, international organisations or armed forces. The exact electronic format, including the necessary IT specifications, will be discussed in expert groups and determined in Commission implementing acts.

In a transitional period member states will be able to use both electronic and paper versions.

Taxation: Council introduces electronic VAT exemption certificate (press release, 10 December 2024)

Digital taxation (background information)

Taxation (background information)

G20

The Council is expected to approve the EU terms of reference in view of the G20 Finance Ministers and Central bank Governors meeting that will be held on 26-27 February 2025.

G20 website

Financial services

The Presidency will present the state of play of legislative proposals in the field of financial services. This is a recurrent item on the ECOFIN agenda.

Current legislative files in the field of financial services

Digital finance (background information)

Capital markets union (background information)