Council of the European Union

PRESS

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BACKGROUND[1]
Brussels, 8 July 2019

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL

Tuesday 9 July in Brussels

The Council will be preceded by a ministerial breakfast, starting at 9:00. Ministers will discuss the economic situation, the Eurogroup debriefing and EU's potential new own resources.

The Council will be chaired by Mika Lintilä, Finnish minister of finance.

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Ministers will hold a discussion on EU's own resources and potential new sources of revenue in view of the multiannual financial framework package for 2021-2027.

The **Finnish presidency** will present its work programme on economic and financial matters.

The Council is also expected to adopt a recommendation on the nomination of the **new President of the European Central Bank**.

The Council will adopt the **country specific recommendations** which conclude the European Semester exercise for 2019.

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The Eurogroup will meet at 15:00 in a regular format. It will discuss the eur-area fiscal stance, the third enhanced surveillance mission to Greece, the eleventh post-programme surveillance mission to Spain and the international role of the euro. At 17:30, the Eurogroup will then meet in an inclusive format to discuss the follow-up to the Euro-Summit of 21 June 2019.

Press conferences:

- after the Eurogroup *(Monday evening)*;
- at the end of the Council *(Tuesday after the Ecofin meeting).*

Press conferences and public events by video streaming

Video coverage in broadcast quality (MPEG4) and photo gallery

1 This note has been drawn up under the responsibility of the press office.

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EU's own resources

The Council will take stock of the state of play in the discussions on the own resources legislative package. The Commission has produced a note to guide the discussion.

The own resources legislative package, which is linked to the multiannual financial framework (MFF) for 2021-2027, was presented by the Commission on 2 May 2018. It consists of a proposal for a Council decision on the system of EU own resources, as well as three proposals for a regulation concerning

- the implementing measures for the system of EU own resources,
- amendments to regulation no 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax, and
- the methods and procedure for making available the own resources based on the Common Consolidated Corporate Tax Base (CCCTB), on the EU Emissions Trading System and on plastic packaging waste that is not recycled.

The discussions within the Council have focused on the key elements of the proposal for a Council decision on the system of EU own resources.

The Commission has proposed to modernise the existing EU own resources by

- maintaining the customs duties as traditional own resources for the EU unchanged, but decreasing to 10% the percentage the member states retain as "collection costs";
- maintaining the own resource based on Gross National Income, and keeping it as the balancing resource; and
- simplifying the value added tax (VAT) based own resource.

It also proposed to introduce a basket of new own resources consisting of a share of the relaunched Common Consolidated Corporate Tax Base, to be phased in once the necessary legislation has been adopted; a share of the auctioning revenue of the European Emissions Trading System; and a national contribution calculated on the amount of non-recycled plastic packaging waste.

More generally, it proposed to increase the own resources ceiling for payments from 1.20% to 1.29% of the GNI of the EU27, and to phase out all the currently existing correction mechanisms (rebates).

Over recent months, the discussions within the Council have focused on the simplification of the VAT-based own resource, on which the delegations' views are still evolving.

As regards new own resources, the own resource based on plastic packaging waste has showed some support among member states. On the other hand, a majority of delegations have expressed their preference for discarding the proposed new own resource linked to the CCCTB due to the lack of progress on this file in the Council.

The debate has also continued on the percentage of traditional own resources that member states retain as collection costs, as well as on the future of correction mechanisms in favour of certain member states.

In view of the Council meeting, the Commission circulated to the delegations a non-paper on own resources and potential new sources of revenue. The non-paper recalls the state of discussions on the basket of new own resources proposed by the Commission and notes that some member states have called on the Commission to explore other possible new sources of revenue. The Commission affirms its readiness to elaborate the options for other new own resources should there be an indication of support by the member states.

MFF 2021-2027: own resources legislative package - Presidency progress report

Own resources and potential new sources of revenue - Non-paper of the Commission services

Presidency work programme

The Finnish presidency will present its priorities for economic and financial affairs (Ecofin) for the duration of its term, which runs from July to December 2019.

Ministers may hold an exchange of views.

In the area of Ecofin, the Finnish presidency has put sustainable economic growth at the heart of its programme, highlighting the importance of economic incentives and fiscal resources in the transition towards a low-carbon economy.

Over the course of its presidency, Finland will have the following priorities:

- **More robust and well-functioning financial markets:** Finland will work to strengthen the Banking Union and to develop the Capital Markets Union. The aim is to enhance the robustness and resilience of the European banking sector and to boost cross-border investment.

- **Simplification of economic policy coordination:** Finland will seek the views of finance ministers on the functioning of the EU's economic policy coordination framework, to provide a contribution to the upcoming six-pack and two-pack review. The aim is in particular to explore possibilities to simplify the fiscal rules.

- **Simple and effective taxation:** Finland will advance simple, fair and effective taxation to boost economic growth, competitiveness and employment. In addtion, the Finnish Presidency will continue the work against tax fraud and evasion.

- **Enhanced action on climate change:** Finland aims to put mitigation of climate change at the centre of the ECOFIN discussions and integrate this important topic into the finance ministers' work.

- **Maximising the added value of the European financial architecture for development:** Finland aims to achieve clear policy guidance on the way forward for the European financial architecture for development.

- **EU budget with sound financial management:** Finland aims to reach a balanced agreement between the Council and the EP on the 2020 budget. The Finnish presidency will ensure that both the implementation of the 2019 budget and the 2020 budget will comply with the principles of sound financial management.

Programme of the Finnish presidency

ECB executive board - nomination of the new President

The Council is expected to issue a recommendation to the European Council on the nomination of Christine Lagarde as the next president of the European Central Bank.

The recommendation formalises the agreement reached by the European Council on 2 July to support Christine Lagarde as a candidate for the post.

The European Council is expected to take a formal decision on the appointment in October, after having consulted the European Parliament and the ECB's Governing Council.

The new President will succeed Mario Draghi (Italy), whose term of office expires on 31 October 2019 for a non-renewable 8-year term.

The Council needs a 'reinforced' qualified majority to adopt the recommendation. This requires the support of 72% of eurozone member states (i.e. 14 out of 19), representing 65% of the population of the euro area. (Legal basis: article 283(2) of the Treaty on the Functioning of the European Union.)

Appointment of the ECB executive board - Council infographic

2019 European Semester - country-specific recommendations

The Council is due to adopt recommendations to all member states on their economic, employment and fiscal policies.

The overall objective of the recommendations is to encourage member states to increase their growth potential by modernising their economies and further strengthen their resilience.

Despite global uncertainties and less favourable conditions, all member states' economies are projected to grow in 2020 and the level of unemployment is at a record low. In this context, the country specific recommendations focus on implementing effective structural reforms, boosting investment strategies and encouraging responsible fiscal policies.

Adoption of the texts will conclude the 2019 ‘European Semester’ policy monitoring process, following consideration by the European Council on 20 June. The employment policy parts will be approved by the Employment, Social Policy, Health and Consumer Affairs Council on 8 July.

The European Semester is an annual process for the simultaneous monitoring of the member states' economic, employment and fiscal policies.

In the light of policy guidance given by the European Council annually in March, the member states present each year in April:

- national reform programmes for their economic and employment policies. These include a macroeconomic scenario for the medium term, national targets for implementing the ‘Europe 2020' strategy for jobs and growth, identification of the main obstacles to growth, and measures for growth-enhancing initiatives in the short term;
- stability or convergence programmes for their fiscal policies. Eurozone countries present stability programmes, whereas non-euro member states present convergence programmes. These set out medium-term budgetary objectives, the main assumptions about expected economic developments, a description of fiscal and economic policy measures, and an analysis of how changes in assumptions will affect fiscal and debt positions.

The Council then agrees country-specific recommendations and opinions. It provides explanations in cases where the recommendations do not comply with those proposed by the Commission.

It requires a reinforced qualified majority to adopt the texts. (Legal basis: articles 121(2) and 148(4) of the Treaty on the Functioning of the European Union.)

In March 2019, the Council adopted a specific recommendation on the economic policies of the euro area. It did so at an earlier stage in order to take greater account of euro-area issues when approving the country-specific recommendations.

July 2019 country-specific recommendations - chapeau document

Council recommendation on the economic policy of the euro area, 28 March 2019

Other items

The Council will discuss the following under 'other business':

- **Aviation taxation and carbon pricing**: the Dutch minister will debrief ministers on the outcomes of the international conference organised by the Netherlands to discuss ways to enhance cooperation at EU level on carbon pricing in the aviation sector on 20-21 June 2019.