Council of the European Union

PRESS

EN

BACKGROUND[1]
Brussels, 12 March 2021

Video conference of economic and finance ministers
Tuesday 16 March 2021

The video conference of economic and finance ministers will start at 10.00. It will be chaired by Portugal's Minister for Finance, João Leão.

~ ~ ~

Ministers will discuss the state of play and way forward on addressing taxation challenges arising from the digitalisation of the economy.

They will exchange views on issues related to economic recovery in Europe, including the economic situation and outlook, fiscal policy response to the COVID-19 crisis and the implementation of the Recovery and Resilience Facility.

The presidency will inform ministers about the procedure to adopt conclusions on the retail payments strategy.

Ministers will also be debriefed on the outcome of the meeting of G20 finance ministers and central bank governors on 26 February. They will take stock of the preparations for the G20 and IMF spring meetings on 7-10 April.

The presidency will present the state of play of financial services legislative proposals. Ministers will also take note of the state of play in implementing the financial services directives.

~ ~ ~

*On 15 March at 11.30, the **macroeconomic dialogue at political level** will take place by video conference. The presidency and the two upcoming presidencies, the Commission, the ECB President and the Eurogroup President will exchange views with social partners on the economic outlook and the impact of the COVID-19 pandemic on the EU labour market, with a focus on challenges and prospects for the recovery and resilience plans.*

The Eurogroup will hold a video conference at 15.00 in its regular format. It will focus on the sectoral impact and structural changes triggered by the COVID-19 pandemic in the euro area, the state of play on fiscal support measures, the 9th enhanced surveillance report on Greece and preparations for international meetings. At 18.00, in an 'inclusive format' (27 member states), ministers will prepare for the March Euro Summit, focusing on the international role of the euro.

Press conferences (virtual):

- after the Eurogroup meeting *(Monday evening)*
- after the video conference of economic and finance ministers *(Tuesday afternoon)*

Video conference page
Eurogroup meeting page
Press conferences and public events by video streaming
Video conference - video coverage in broadcast quality (MPEG4) and photo gallery
Eurogroup video conference - video coverage in broadcast quality (MPEG4) and photo gallery

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

Tax challenges arising from digitalisation

Ministers will have an exchange of views on the state of play and way forward on tax challenges arising from digitalisation.

The Commission will be invited to outline its plans in this policy field.

The discussion will take place ahead of the European Council meeting in March, where 'digital taxation' is also expected to be on the agenda.

The EU is awaiting global consensus in the ongoing negotiations in the OECD/G20 format. With the mid-2021 deadline approaching, these negotiations are now entering a crucial phase.

At their meeting on 26 February, the G20 finance ministers and central bank governors confirmed their commitment "to achieve a global and consensus-based solution by mid-2021".

The consensus-based global solution is expected to be based on two pillars, both of which are considered essential:

- Pillar 1 - new rules on 'taxable presence' (without the traditional physical presence of a company) and what portion of profits should be taxed in a particular jurisdiction;
- Pillar 2 - new rules to ensure that internationally operating companies pay a minimum level of tax to protect the countries' tax base from base erosion and profit shifting.

Any agreement reached in the OECD will also require an implementation phase. At EU level, it still has to be ascertained which of its elements will require an amendment of national legislation or international agreements, or new legislative proposals by the European Commission.

While the OECD is finalising its work, EU member states have put on hold their talks in the Council on the legislative proposals to address corporate taxation challenges arising from digitalisation (the digital service tax proposal and the significant digital presence proposal, presented by the Commission in 2018).

Meanwhile, at EU level, in the context of further work on EU own resources, the Commission is expected to table in the first semester of 2021 a proposal on a digital levy, as an additional source of revenue for the EU budget.

In its conclusions of 27 November 2020 on fair and effective taxation in times of recovery, on tax challenges linked to digitalisation and on tax good governance in the EU and beyond, the Council indicated its consensus on a number of specific points concerning 'digital taxation'. It:

- recalled the European Council conclusions of July 2020 in which it is noted that the Commission will put forward in the first semester of 2021 a proposal for a digital levy, and invited the Commission to also take the ongoing OECD Inclusive Framework on BEPS negotiations into account;
- welcomed the OECD reports on the ‘blueprints’ for Pillar 1 and 2 and confirmed its continued support for the work at the OECD Inclusive Framework on BEPS aimed at reaching a global consensus-based solution by mid-2021;
- asked the Commission to continue to actively monitor and provide expertise on EU law aspects to member states;
- expressed the willingness of the EU and its member states to look into the possibilities of implementing, by appropriate legal means, the global agreement to be reached at the OECD Inclusive Framework on BEPS as soon as possible;
- recalled that the European Council will assess the issue in March 2021, and asked the Commission to engage on that basis in the relevant preparatory work in the Council on the way forward in line with EU law, in order to address the tax challenges of the digital economy, including in the absence of an international consensus by mid-2021.

Fair and effective taxation: Council adopts conclusions (press release, 27 November 2020)

Digital taxation (background information)

Economic recovery in the European Union

a) Economic situation and outlook

Ministers will exchange views on the current economic situation and outlook.

The Chair of the European Banking Authority, Jose Manuel Campa, will be invited to share his views on the economic and financial situation in the EU. The Vice President of the European Central Bank, Luis de Guindos, will present the latest forecasts of the ECB.

The Commission's winter 2021 economic forecast projects that the euro area economy will grow by 3.8% in both 2021 and 2022, and the EU economy will grow by 3.7% in 2021 and 3.9% in 2022.

After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021. Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery.

The Commission's forecast also highlights that economic impact of the pandemic remains uneven across member states and the speed of the recovery is projected to vary significantly. Part of this difference can be attributed to the different sectoral composition of member states' economies. Even within the same sector, the economic impact across territories depends on specific features, such as intensity of restrictions or health situation.

No member state is expected to have reached its pre-crisis growth path by the end of the forecast horizon in 2022.

Winter 2021 economic forecast (European Commission)

b) Fiscal policy response to the COVID-19 crisis

The Commission will present its communication “One year since the outbreak of COVID-19: Fiscal policy response”, in which it provides member states with broad guidance on the conduct of fiscal policy.

Ministers will be invited to have an exchange of views, taking into account the current economic situation and outlook.

In view of the preparation of member states' stability and convergence programmes, due to be presented in April, the Commission's communication provides policy orientations to facilitate the coordination of fiscal policies. It specifies that fiscal policy should remain agile and warns against a premature withdrawal of fiscal support. Once health risks diminish, fiscal measures should gradually pivot to more targeted and forward-looking measures that promote a resilient and sustainable recovery. Fiscal policies should also take into account the impact of the RRF.

The Commission is expected to set out more detailed guidance for fiscal policies in its European Semester spring package.

Regarding the general escape clause, activated in March 2020, the Commission takes the view that the decision on its deactivation or continued application should be based on quantitative criteria, in particular the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019). It will provide its assessment on the basis of the 2021 spring forecast, due to be published in the first half of May. It considers that preliminary indications would suggest to continue applying the general escape clause in 2022 and to deactivate it as of 2023. It also stresses that country-specific situations will continue to be taken into account after the general escape clause has been deactivated.

In its communication, the Commission also confirms its intention to relaunch the public debate on the economic governance framework once the recovery takes hold.

c) Implementation of the Recovery and Resilience Facility

Ministers will take stock of the implementation of the Recovery and Resilience Facility and progress in the ratification of the own resources decision.

The presidency will provide an overview of the state of play. Ministers will also discuss the priorities of the recovery and resilience plans following their exchange of views on the plans in January and February.

The regulation establishing the Recovery and Resilience Facility entered into force on 19 February. This means that member states can now officially submit their recovery and resilience plans to the Commission, once they are ready. They have until 30 April, as a rule, to do this.

Once a plan has been submitted, the Commission will generally have up to two months to assess it. After that, the Council will have four weeks to adopt its decision on the final approval the plan.

After the plans have been approved, the Commission will sign grant and loan agreements with the member states, commit resources and proceed with the payment of the pre-financing (13% of total grants and loans) within two months. However, such resources can be committed only if the own resources decision will have been ratified in the meantime.

EU recovery package: Council adopts Recovery and Resilience Facility (press release, 11 February 2021)

A recovery plan for Europe (background information)

Own resources decision - formal notifications

Council conclusions on the retail payments strategy for the EU

The presidency will inform ministers about the procedure for the adoption of Council conclusions on the retail payments strategy.

The Council is expected to adopt the conclusions, without discussion, at the meeting of the Agriculture and Fisheries Council on 22-23 March.

The retail payments strategy was presented by the Commission on 24 September 2020 as part of its digital finance package. Against the background of rapid digital innovation affecting the retail payments market, it sets out a single, coherent and overarching framework for the further development of that market.

The strategy focuses on:

- creating the conditions for the development of instant payments and EU-wide payment solutions
- consumer protection and ensuring safe payment solutions
- lessening the EU’s dependency on major global players in this area

In the draft conclusions agreed at technical level, the Council welcomes the Commission's comprehensive communication and lends it support for its overall aims. It highlights, in particular, the objectives of promoting the widespread use of instant payments, along with other payment solutions, having a legislative toolkit that can meet the challenges created by the move towards digitalisation, and promoting an innovative, open, resilient, safe and inclusive payments ecosystem.

The Council also supports a strong focus on consumer protection and efforts to foster the development of pan-European solutions.

The conclusions set out the Council's detailed priorities in the four ‘pillars’ for strategic action outlined by the Commission:

- addressing issues related to increasingly digital and instant payment solutions
- innovation and competitiveness issues
- access and interoperability aspects of retail payment systems and other support infrastructures
- international dimension

Draft Council conclusions on a 'Retail Payments Strategy for the European Union'

Commission communication on a 'Retail Payments Strategy for the EU'

International cooperation

a) Follow-up to the G20 meeting of finance ministers and central bank governors on 26 February 2021

The presidency and the Commission will debrief ministers on the outcome of the meeting of the G20 finance ministers and central bank governors on 26 February 2021.

The meeting was the first under the G20 Italian presidency. It focused on the future of the global economy and related policy actions in the aftermath of the outbreak of the COVID-19 pandemic. The G20 finance ministers and central bank governors discussed how to take the international taxation agenda forward; financial regulation, financial inclusion and sustainable finance; and how the international community could protect global commons, notably global health and the environment, in a sustainable and inclusive manner.

b) Preparation of the G20 and IMF spring meetings on 7-10 April 2021

The presidency will also inform ministers about preparations for international finance meetings due to be held in virtual format in April, namely:

- the G20 finance ministers' and central bank governors' meeting on 7 April, and
- the meeting of the International Monetary and Financial Committee (IMFC) on 8 April

The Council is expected to approve the EU terms of reference for the G20 meeting and a statement on behalf of the EU to the IMFC by written procedure.

More information on Italy's 2021 G20 presidency

Financial services legislation

The presidency will update ministers on legislative proposals in the field of financial services.

Ministers will also be invited to take note of the state of play in the implementation of the directives for financial services.

March 2021 note on the progress on financial services legislative files

Banking union (background information)

Capital markets union (background information)

Digital finance (background information)