

Economic and Financial Affairs Council

Luxembourg, 18 June 2021

The Economic and Financial Affairs Council will take place in Luxembourg and start at 10.30. It will be chaired by Portugal's Minister for Finance, João Leão.

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The meeting will be held physically in Luxembourg. Discussions will be held in public session during the legislative deliberations.

Ministers will focus on the economic recovery. They will exchange views on the implementation of the Recovery and Resilience Facility.

Ministers will also hold a policy debate on the VAT rates and 'buy and donate' proposal. They will take note of the progress report on strengthening of the banking union.

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

Ministers will aim to adopt a recommendation on the implementation of the Stability and Growth Pact (SGP) and recommendations on the updated stability or convergence programmes (European Semester 2021).

Ministers are expected to approve the conclusions on 2021 age-related spending.

Under any other business, the Commission will update the ministers on the Solvency II review and the Swedish delegation will share information on the European Court of Auditors' special report on gender mainstreaming in the EU budget.

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The Eurogroup will meet on Thursday 17 June 2021 at 15.00. Ministers will discuss post-programme surveillance, the enhanced surveillance report, the IMF Article IV interim mission to the euro area and the functioning of the ERM II. In 'inclusive format' (27 member states), they will take stock of the work on the completion of the Banking Union.

Press conferences:

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

[Ecofin Council page](#)

[Eurogroup meeting page](#)

[Ecofin Council - video coverage in broadcast quality \(MPEG4\) and photo gallery](#)

[Eurogroup - video coverage in broadcast quality \(MPEG4\) and photo gallery](#)

¹ This note has been drawn up under the responsibility of the Press Office.

Implementation of the Recovery and Resilience Facility

Ministers will take stock of the implementation of the Recovery and Resilience Facility.

The Commission will present the state of play as regards the assessment of the recovery and resilience plans (RRPs) submitted so far. By 15 June, 23 national plans had been submitted to the Commission.

Once a plan has been submitted, the Commission has up to two months to assess it, unless a postponement is agreed with the member state involved. The Commission is expected to complete the assessment of the first batch of plans in June.

The assessment will be followed by proposals for Council implementing decisions (CIDs).

After that, the Council should, as a rule, adopt CIDs approving the plans within four weeks.

After the CIDs have been adopted, 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.

The Commission will use the resources collected on the financial markets in the meanwhile, thanks to the completion of the ratification of the own resources decision (ORD). After adopting the ORD on 14 December 2020, the EU Council completed the list of received formal notifications on 31 May 2021.

The ORD entered into force on 1 June 2021. This allowed the Commission to start raising funds on 15 June 2021. The Commission will proceed with its funding plan.

[Green light from all member states for EU recovery spending \(press release, 31 May 2021\)](#)

[A recovery plan for Europe \(background information\)](#)

[Guidance to member states – recovery and resilience plans \(European Commission\)](#)

[The EU as a borrower – investor relations \(European Commission\)](#)

Recommendation under the excessive deficit procedure (implementation of the SGP)

The Council will adopt a recommendation under the excessive deficit procedure for Romania.

On 3 April 2020, the Council adopted a recommendation with a view to bringing an end to the situation of an excessive deficit in Romania by 2022 at the latest.

On 18 November 2020, the Commission presented a communication on Romania's fiscal situation. The uncertainty created by the COVID-19 pandemic and its macroeconomic and fiscal impact meant the Commission was not able to put forward a recommendation for a Council recommendation at that stage.

According to the Commission's 2021 spring forecast, Romania is not projected to correct its excessive deficit by the deadline of 2022. This is partly due to the severe economic downturn, which has led to a significant deviation from the economic assumptions on which the Council recommendation of 3 April 2020 was based.

In this context, the recommended adjustment path of 3 April 2020 no longer provides a relevant basis for fiscal policy guidance and for the assessment of the action taken by the government to bring its excessive deficit to an end.

On 2 June 2021, the Commission adopted a recommendation for a Council recommendation with a view to bringing an end to the situation of the excessive deficit in Romania by 2024 at the latest.

On 11 June 2021, the Economic and Financial Committee agreed on the recommendation.

Consequently, the Council is expected to recommend that Romania put an end to the present excessive deficit situation by 2024 at the latest.

[Recommendation for a Council recommendation with a view to bringing an end to the situation of an EDP in Romania \(European Commission\)](#)

[Excessive deficit procedure \(European Commission\)](#)

Recommendations on the updated stability or convergence programmes (SCPs)

The Council will adopt the Council recommendations delivering a Council opinion on the 2021 SCPs.

The 2021 exercise of the European Semester started on 17 September 2020 with the publication by the Commission of the annual sustainable growth strategy. The temporary integration of the recovery and resilience plans in the European Semester cycle has led to significant changes in the 2021 European Semester.

Member states submitted their SCPs, generally respecting the legal deadline of 30 April. On 2 June 2021 the Commission adopted recommendations on the SCPs. They take into account the spring 2021 forecast and the continuation of the SGP's general escape clause into 2022 and address the budgetary stance of member states in qualitative rather than quantitative terms.

According to the regulation on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, the Council is expected to follow the Commission's recommendation or explain its position publicly. The explanation is referred to as a 'comply or explain' note.

The Council is expected to adopt the 27 recommendations and the 'comply or explain' note.

[National Reform Programmes and Stability/Convergence Programmes \(European Commission\)](#)

[Annual Sustainable Growth Strategy 2021 \(Communication from the Commission\)](#)

[One year since the outbreak of COVID-19: fiscal policy response \(Communication from the Commission\)](#)

Strengthening of the banking union

The Council will take note of the presidency progress report on strengthening the banking union.

The progress report will cover the latest developments on measures outlined in the June 2016 roadmap on the completion of the banking union.

This reporting is in line with the mandate of the Council Ad Hoc Working Party on the Strengthening of the Banking Union (AHWP) and presents the presidency's views on the progress made regarding measures to strengthen the banking union during the first semester of 2021.

During the discussion, ministers might also take stock of the progress made at the Eurogroup of 17 June 2021 on completing the banking union. In December 2020, the euro summit mandated the Eurogroup to 'prepare, on a consensual basis, a stepwise and time-bound work plan on all outstanding elements needed to complete the banking union' and to report back to the leaders in June 2021.

Member states worked constructively during five meetings of the Council's AHWP in the first semester of 2021 and focused their work on technical discussions on the design of the European Deposit Insurance Scheme (EDIS) using as a reference a hybrid model for the EDIS.

[Further steps in the banking union: risk reduction and deposit protection \(background information\)](#)

[Council Conclusions on a roadmap to complete the Banking Union](#)

[Proposal for a Regulation of the European Parliament and of the Council establishing a European Deposit Insurance Scheme \(European Commission\)](#)

VAT rates

Ministers will exchange views on the proposal for a Council directive on the common system of value added tax as regards rates of value added tax (VAT).

The Commission submitted the proposal in 2018. It aims to create a level playing field and grant member states more flexibility in the application of reduced and zero VAT rates.

The examination of the proposal made progress under the Portuguese presidency based on the work carried out during the previous presidencies. The discussions included the following areas: the conditions requiring final consumer benefit and pursuit of an objective of general interest; the introduction of the weighted average rate (WAR) condition; the link to the proposal on VAT definitive system; the use of a negative or a positive list; and the number of VAT rates.

The Portuguese presidency gave a fresh perspective to the discussion by focusing on identifying the principles that should guide the drafting of a positive list and resolving other issues raised. Those include the scope of zero rates and rates lower than the minimum of 5%, derogations on the application of zero rates, super-reduced rates and reduced rates of VAT, the need to include a revenue safeguard or the use of combined nomenclature (CN) or product classification (CPA) codes.

Based on the presidency progress report, ministers will be invited to give further guidance on the way forward, namely in relation to aligning the application of reduced rates with the objectives of the EU Green Deal and ensuring a level playing field as regards derogations for the application of reduced VAT rates.

[Proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax \(European Commission\)](#)

[Proposal for a Council directive amending Directive 2006/112/EC as regards rates of value added tax \(policy debate\)](#)

VAT exemption for imports and other operations of the Union with public interest

Ministers will hold a policy debate on the proposal for VAT exemption for imports and other operations of the Union with public interest.

On 12 April 2021, the Commission presented a proposal for a Council directive amending directive 2006/112/EC on the common system of value added tax as regards exemptions on importations and on certain supplies, in respect of Union measures in the public interest (the so-called 'buy and donate' proposal).

The proposal's aim is to make it easier for the Commission and EU agencies to buy goods and services to distribute them free of charge to member states according to their emergency needs. Currently VAT is due in every member state where EU bodies donate goods.

The proposal provides for retroactive effect from 1 January 2021 to cover measures addressing the effects of the COVID-19 pandemic that are already underway, and was therefore treated as urgent.

In future emergencies in which the Commission or an EU agency buys goods on behalf of the member states, they would be exempted from paying VAT altogether.

The proposal was discussed in two meetings of the Working Party on Tax Questions and one meeting of the High Level Working Party on Taxation. The main open question in this proposal is in which situations the exemption should apply.

Ministers will be invited to give further guidance on the way forward.

[Proposal for a Council directive on exemptions on importations and on certain supplies, in respect of Union measures in the public interest \(European Commission\)](#)

[Proposal for a Council directive on exemptions on importations and on certain supplies, in respect of Union measures in the public interest \(policy debate\)](#)

Conclusions on the fiscal sustainability challenges arising from ageing

The Council will discuss and approve the conclusions on the 2021 ageing report.

The 2021 ageing report is the response to the mandate that the Economic and Financial Affairs Council gave to the Economic Policy Committee (EPC) in 2018 to update and further deepen its work on age-related expenditure projections, on the basis of a new population projection by Eurostat.

The report provides long-term projections for the period 2019–2070 for the 27 EU member states and Norway of the budgetary impact of the ageing population. In particular, age-related expenditures covering pensions, health care, long-term care, education and unemployment benefits are projected and analysed.

The budgetary projections are based on common assumptions and methodologies agreed by the EPC and the Commission. The ageing report projections are used in the context of the coordination of economic policies to identify relevant policy challenges and options.

In the context of the European Semester, they are used to identify policy challenges, in setting the medium-term budgetary objectives and in the annual assessment of the sustainability of public finances. In addition, the projections support the analysis of the macroeconomic impact of population ageing, including on the labour market and potential economic growth.

[The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States \(2019-2070\) \(European Commission\)](#)

[Population structure and ageing \(Eurostat\)](#)

Current financial services legislative proposals

The Presidency will present the state of play of financial services legislative proposals.

[Banking union \(background information\)](#)

[Capital markets union \(background information\)](#)

[Digital finance \(background information\)](#)

International meetings

The presidency will also inform ministers about preparations for the upcoming G20 finance meeting and progress on ongoing international issues.

The next G20 meeting of finance ministers and central bank governors will take place on 9-10 July 2021.

The main areas of work for the G20 Finance are based on the aim of sustaining the recovery, while developing long-term strategies to foster the transition towards healthier, greener, and more digital and inclusive societies and enhancing multilateralism.

[More information on Italy's 2021 G20 presidency](#)

Other items

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

– **Solvency II review:** The Commission will provide an oral update on the preparation of its forthcoming package of legislative proposals to update the Solvency II directive.

[Risk management and supervision of insurance companies \(Solvency 2\) \(European Commission\)](#)

– **European Court of Auditors' special report on gender mainstreaming in the EU budget:** the Swedish delegation will draw attention to this special report. The report will be discussed in the Social Questions working party and adopted by the Employment, Social Policy, Health and Consumer Affairs Council.

[Special Report 10/2021: Gender mainstreaming in the EU budget \(Court of Auditors\)](#)