

Economic and Financial Affairs Council

Brussels, 7 December 2021

Chair: Andrej Šircelj, Slovenia's Minister for Finance

European Commission representative: Executive Vice-President Valdis Dombrovskis, Commissioner Paolo Gentiloni and Commissioner Mairead McGuinness

Starting time: 10:00

Press conferences:

- after the Eurogroup meeting (Monday evening +- 17:30)
- after the Economic and Financial Affairs Council (Tuesday afternoon +- 14:30)

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Ministers will be invited to agree on the proposal for a Council directive on rates of value added tax.

Ministers will take stock of the progress made in strengthening the banking union, on the basis of a presidency progress report.

The Commission will give a presentation of legislative proposals in the area of the Capital Markets Union, and ministers will have an opportunity to express and exchange their initial views on the proposals.

The Council will take note of the presidency progress report on the anti-money-laundering and countering the financing of terrorism legislative package.

Under other business, the presidency will present the state of play of the financial services legislative proposals.

The Commission will present the state of play of the implementation of the Recovery and Resilience Facility and ministers will exchange views.

The Commission will present and ministers will have an exchange of views on the Commission's "Autumn Package" for the European Semester, including the annual sustainable growth survey 2022, the alert mechanism report 2022 and a recommendation for a Council recommendation on the economic policy of the euro area.

The Chair of the European Fiscal Board will present the EFB's 2021 annual report on fiscal developments in the EU.

Ministers will discuss the progress achieved by the Code of Conduct (Business Taxation) Group and be invited to adopt a resolution on a revised Code of Conduct.

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

The presidency will inform ministers about the state of play of the adoption of the EU's general budget for 2022 and propose to add a statement to the Council minutes regarding the increase of the European Parliament's staff in the budget for 2022.

Ministers will take note without discussions of the presidency report on the progress reached with the Fit for 55 proposals, with particular attention to the proposals for a carbon border adjustment mechanism, a review of the energy taxation directive, and the establishment of a new social climate fund.

Ministers will also approve a report to the European Council on tax issues.

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The Eurogroup will meet on Monday 6 December October (14:15).

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[Ecofin Council - meeting 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](#)

[Press conferences and public events by video streaming](#)

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Value added tax rates

Ministers will be invited to agree on the proposal for a Council directive on rates of value added tax (VAT). The new rules aim to reflect member states' current needs and the EU's present policy objectives, which have changed considerably since the old rules were put in place. The updates to the legislation aim to ensure member states are treated equally and give them more flexibility to apply reduced and zero VAT rates. The rules also aim to phase out preferential treatments for environmentally harmful goods.

The Commission issued its proposal to amend a Council directive on the common system of value added tax as regards rates of value added tax, on 18 January 2018.

The proposal follows the consultation procedure. The Parliament already issued an opinion on the proposal in 2018, but following the considerable changes to the original Commission proposal, the Council will need to request a new opinion. After having received this new opinion, the Council will formally adopt the directive.

[Presidency compromise text on VAT rates](#)

[Proposal for a COUNCIL DIRECTIVE amending Directive 2006/112/EC as regards rates of value added tax](#)

Strengthening the Banking Union

Ministers will take stock of the progress in strengthening of the Banking Union on the basis of a presidency report covering the discussions held in the Council's ad hoc working party on the strengthening of the Banking Union during the second semester of 2021.

In December 2019, the discussions in the Eurogroup and at the Euro Summit (meeting in inclusive format) highlighted the need to continue work on all elements of the further strengthening of the Banking Union on a consensual basis. In June 2020, the Eurogroup (in inclusive format) agreed that the COVID-19 crisis strengthened the case for completing the Banking Union. It was concluded that further work should be carried out to further strengthen the Banking Union in a holistic manner, as soon as possible.

The Council's ad hoc working party has been examining all the elements of a strengthened Banking Union:

- measures aimed at improving bank crisis management,
- enhanced market integration of the EU banking sector and home-host balance,
- regulatory treatment of sovereign exposures, and
- design features of a European deposit insurance scheme (EDIS) on the basis of the so-called hybrid model.

[Banking Union – background information](#)

Capital markets union

The Commission will give a presentation of legislative proposals in the area of the Capital Markets Union (CMU), and ministers will have an opportunity to express and exchange their initial views on the proposals. Building on the actions announced in the 2020 CMU action plan, the Commission adopted on 25 November a CMU package, composed of a communication to take stock of the action plan and seven sectoral legislations that can be regrouped into four different legislative blocs: AIFMD; ELTIF; ESAP; MiFID/MiFIR. The aim of the legislative package is to better connect EU companies with investors and improve their access to funding, as well as broaden investment opportunities for retail investors and better integrate capital markets.

The review of the Alternative Investment Fund Managers Directive (AIFMD) proposes to harmonise the rules related to funds that give loans to companies, to clarify the rules on delegation and to ensure that there is adequate information and coordination among EU supervisors, in order to better protect investors and financial stability.

The review of the European Long-Term Investment Funds (ELTIFs) Regulation aims to increase the attractiveness of ELTIFs for investors and their role as a complementary source of financing for EU companies. It also aims to make it easier for retail investors to invest in ELTIFs, in particular by removing the minimum €10,000 investment threshold, while ensuring strong investor protection.

The European Single Access Point (ESAP) will offer a single access point for public financial and sustainability-related information about EU companies and EU investment products.

Concerning MiFID/MiFIR, the package aims to provide for a European consolidated tape for trading and post trading data, thereby increasing market transparency and increasing the liquidity of secondary trading in euro-denominated debt instruments, in particular for corporate bond issuance.

As part of the Capital Markets Recovery Package, on 15 February 2021, the Council adopted targeted amendments to the markets in financial instruments directive (MiFID) II and the prospectus regulation to facilitate the recapitalisation of EU companies on financial markets. On 30 March 2021, the Council also adopted adaptations to the EU's securitisation framework.

In 2022, the Commission will follow up with more CMU actions, including a proposal on listing, an open finance framework, an initiative on corporate insolvency and a financial literacy framework.

[Capital Markets Union package](#)

[Capital Markets Recovery Package: Council adopts first set of measures to help companies access funding \(press release, 15 February 2021\)](#)

[Capital Markets Union – background information](#)

Anti-money-laundering and countering the financing of terrorism

The Council will take note of the Presidency progress report on the anti-money-laundering (AML) and countering the financing of terrorism legislative package.

The Commission on 20 July presented a package of four legislative proposals to strengthen the EU's anti-money laundering and countering terrorism financing rules. The aim of the package is to improve the detection of suspicious transactions and activities, and to close loopholes used by criminals to launder illicit proceeds or finance terrorist activities through the financial system. It also aims at taking into account new challenges related to technological innovation.

EU ambassadors agreed on 1 December 2021 on a mandate to negotiate with the European Parliament on one of the proposals of the package, on an update to existing rules on information accompanying transfers of funds. The update aims to extend the scope of the rules to certain crypto-assets.

In addition, the package contains a proposal for a new EU-level Anti-Money Laundering Authority (AMLA) that will coordinate national authorities to ensure the private sector correctly and consistently applies EU rules. AMLA will also support Financial Intelligence Units to improve their analytical capacity around illicit flows and make financial intelligence a key source for law enforcement agencies.

It also contains a proposal for a regulation on AML and proposal for a revised AML directive that both form the so-called "Single EU Rulebook". The Single EU Rulebook will harmonise rules across the EU on for example customer due diligence, beneficial ownership and the powers and task of supervisors and Financial Intelligence Units (FIUs). It will also connect existing national registers of bank accounts, among other things.

Council negotiating mandate with the European Parliament on information accompanying transfers of funds and certain crypto-assets

Anti-money laundering: Council agrees its negotiating mandate on transparency of crypto-asset transfers (press release 1 December 2021).

[Presidency progress report](#)

[Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on information accompanying transfers of funds and certain crypto-assets \(recast\)](#)

[Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations \(EU\) No 1093/2010, \(EU\) 1094/2010, \(EU\) 1095/2010](#)

[Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive \(EU\) 2015/849](#)

[Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing](#)

[The EU's response to terrorism – background information](#)

[The EU's response to terrorism – background information](#)

Economic recovery in Europe

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

All member states except the Netherlands have submitted their Recovery and Resilience Plans. The Council adopted implementing decisions on plans for Austria, Belgium, Denmark, France, Germany, Greece, Italy, Latvia, Luxembourg, Portugal, Slovakia and Spain on 13 July. Council implementing decisions for Croatia, Cyprus, Lithuania and Slovenia were adopted on 28 July. The Council adopted implementing decisions on Czechia's and Ireland's plans on 8 September, and on Malta's plan 5 October. The Council implementing decisions on Estonia's, Finland's and Romania's plans were adopted on 29 October.

The procedure is that, 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 in question. Positive assessment is followed by proposals for Council implementing decisions that the Council should, as a rule, adopt within four weeks. Following adoption of the decisions, the Commission can sign grant and loan agreements with the member states, commit resources and proceed with the disbursement of the pre-financing (when requested, for an amount of up to 13% of the total grants and loans). The payments are to be executed within two months to the extent possible.

By 8 November, the following countries received their requested pre-financing: Austria, Belgium, Croatia, Cyprus, Czechia, Denmark, France, Germany, Greece, Italy, Latvia, Lithuania, Luxembourg, Portugal, Slovakia, Slovenia and Spain. The total amount disbursed so far is around €52.4 billion.

The Commission uses resources raised on the financial markets. So far, five syndicated bond issuance events have taken place, including the first ever EU green bond issuance). Also, in September the Commission started with the EU-Bonds and EU-Bills auctions, raising additional funds to finance the NGEU.

The adoption of the plans is a precondition for use by the member states of the Recovery and Resilience Facility, the central part of the NGEU. The facility makes available €672.5 billion (in 2018 prices) to foster economic recovery from the COVID-19 fallout – €312.5 billion as non-repayable support (grants) and €360 billion in loans.

[Infographic - Recovery fund: the EU delivers](#)

[The Recovery and Resilience Facility \(European Commission\)](#)

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

[Structure of the auctioning programme \(European Commission\)](#)

European Semester

Ministers will discuss European Semester 2022, including an annual sustainable growth survey 2022, an alert mechanism report 2022 and a recommendation on the economic policy of the euro area as part of the Autumn package presented by the European Commission on 24 November 2021.

- The annual sustainable growth survey 2022 (ASGS), outlines the economic and employment policy priorities for the EU for the coming 12 to 18 months. It is structured around four dimensions of the competitive sustainability agenda: environmental sustainability, productivity, fairness and macroeconomic stability;
- The Commission recommendation for a Council recommendation on the economic policy of the euro area (EAR) calls on member states, including through their RRP, to (1) maintain a moderately supportive fiscal stance in 2022 and to gradually pivot fiscal policy measures towards investments; (2) promote policies that ensure fair and efficient tax systems and effective active labour market policies; (3) monitor the effectiveness of policy support packages for companies and to focus on targeted support for the solvency of viable firms; (4) pursue reforms to address bottlenecks to investment and reallocation of capital; (5) support macro-financial stability and credit channels to the economy, in particular through progress in completing the Banking Union ;
- The alert mechanism report 2022 (AMR) initiates the annual round of the macroeconomic imbalance procedure (MIP), the implementation of which is embedded in the European Semester. It also identifies member states for which in-depth reviews (IDRs) should be undertaken to assess whether they are affected by imbalances.
- A proposal for a Joint Employment Report (JER) that analyses the impact of the COVID-19 pandemic on the employment and social situation in Europe.

[European Semester - background information](#)

European Fiscal Board

The Chair of the European Fiscal Board will present the EFB's 2021 annual report on recent fiscal policy developments in the EU.

On 10 November 2021, the EFB published its fifth annual report. The report assesses the implementation of the EU fiscal framework during the first year of the Covid-19 pandemic and recalls its proposals for improving fiscal governance against the background of the relaunch of the economic governance review by the Commission.

[2021 Annual Report European Fiscal Board](#)

Code of conduct group on business taxation

Ministers will be invited to approve a revision of the code of conduct for business taxation. The revision will take the form of a resolution. Since 1997 the objective of this political commitment by member states is to promote fair tax competition and address harmful tax practices.

The task of the code of conduct is primarily to identify and assess possible harmful preferential tax measures in member states. Member states commit to rollback existing tax measures that constitute harmful tax competition and refrain from introducing any such measures in the future. Member states are also committed to promoting the adoption of good tax governance principles by third countries and in territories to which EU treaties do not apply.

To encourage positive change in their tax legislation and practices, the Council established in 2017 the EU list of non-cooperative jurisdiction for tax purposes. The EU list is regularly revised following an in-depth review of the implementation of commitments taken by all third country jurisdictions that are part of the process.

Ministers will also be invited to approve Council conclusions on the progress achieved by the code of conduct business taxation group during the Slovenian Presidency. Finally, ministers will take note of a report of the code of conduct group to the Council.

[Code of Conduct group for business taxation – background information](#)

EU general budget 2022

The Presidency will inform ministers about the state of play of the adoption of the EU's general budget for 2022 and propose to add a statement to the Council minutes regarding the increase of the European Parliament's staff in the budget for 2022.

The Council adopted on 23 November the 2022 EU general budget following an agreement reached with the European Parliament on 16 November 2021. Next year's budget sets total commitments at €169,5 billion and payments at €170,6 billion. It strongly reflects the EU's main priorities: economic recovery, fighting climate change, and the green and digital transitions. It also leaves enough resources under the expenditure ceilings of the 2021-2027 multiannual financial framework to allow the EU to react to unforeseeable needs.

[Agreement reached on 2022 EU budget – press release 16 November 2021](#)

Report to the European Council on taxation issues

Since June 2012, the Council prepares biannual reports to the European Council on tax issues. These reports are agreed in the Council preparatory bodies, and more specifically in the working party on tax questions.

Other business

The Presidency will inform ministers on the state of play of the digital finance package. The Council adopted its position on a proposal for a Regulation on Markets in Crypto Assets (MiCA) and a proposal for a Digital Operational Resilience Act (DORA) on 24 November 2021. This agreement forms the Council's negotiating mandate for trilogue negotiations with the European Parliament.

The Presidency and the European Parliament's negotiators reached a provisional agreement on a pilot regime for market infrastructures based on distributed ledger technology (DLT) at political level on 24 November 2021. Details of the agreement will be sorted out at technical level after which member states' EU ambassadors will endorse the agreement, before the formal adoption procedure by the Council and the European Parliament is launched.

[Digital finance package: Council reaches agreement on MiCA and DORA](#)

Fit for 55 package

The Commission presented on 14 July 2021 the "Fit for 55" package, which aims to implement the European Green Deal and to realise the EU's ambitious targets of a 55% reduction in carbon emissions compared to 1990 levels by 2030, and becoming a climate-neutral continent by 2050.

Ministers will take note of the progress achieved with the "Fit for 55" proposals. Two proposals from the package are in the remit of the economic and financial affairs Council formation: the proposal for a carbon border adjustment mechanism and a review of the energy taxation directive.

The proposals of the "Fit for 55" package have been a priority for the Slovenian Presidency which has done its utmost to make as much progress as possible while ensuring the coherence of the package. All three files have been examined in working parties in the Council and their analysis will continue under the upcoming French Presidency.

As proposed by the Commission, the carbon border adjustment mechanism (CBAM) aims at preventing the risk of carbon leakage and support the EU's increased ambition on climate mitigation, while ensuring compatibility with international rules of trade. Under the Commission's proposal for a CBAM system, EU importers would buy carbon certificates corresponding to the carbon price that would have been paid, had the goods been produced under the EU's carbon pricing rules. If a non-EU producer can show that they have already paid a price for the carbon used in the production of the imported goods in a non-EU country, the corresponding cost can be fully deducted for the EU importer. The CBAM would be phased in gradually and apply initially only to a selected number of goods from some of the most carbon-intensive sectors: iron and steel, cement, fertiliser, aluminium and electricity generation.

The EU's energy taxation directive lays down structural rules and minimum excise duty rates for the taxation of energy products used as motor fuel and heating fuel, and electricity. Individual member states are free to set higher rates, which most of them do. The Commission's proposal aims at addressing the harmful effects of energy tax competition, helping secure revenues for member states from green taxes. It also aims at facilitating the transition away from fossil fuels towards clean fuels and support investments in new and innovative green industry by making rules clearer so that investors and innovators can plan their long-term investment in green technology and renewables more securely.

The update focusses on two main areas of reform, which together will maximise their impact in driving forward our common green goals. First, the proposal introduces a new structure of tax rates based on the energy content and environmental performance of the fuels and electricity. Second, it broadens the taxable base by including more products in the scope and by removing some of the current exemptions and reductions.

[Presidency progress report on Fit for 55 package](#)

[Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a carbon border adjustment mechanism](#)

[Proposal for a COUNCIL DIRECTIVE restructuring the Union framework for the taxation of energy products and electricity \(recast\)](#)

[Fit for 55 – background information](#)
