



Council of the European Union

PRESS
EN

BACKGROUND BRIEF¹
Brussels, 14 January 2022

Economic and Financial Affairs Council Brussels, 18 January 2022

Chair: Bruno Le Maire, Minister for Economic Affairs, Finance and Recovery

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

Starting time: 10.00

Press conferences:

- after the Eurogroup meeting (Monday evening, +- 19.00)
- after the Economic and Financial Affairs Council (Tuesday afternoon, +- 13.30)

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The French presidency will present its priorities for economic and financial affairs for the first half of 2022.

The Council will be invited to give political guidance on the proposed Council directive on ensuring a global minimum level of taxation for multinational groups in the Union.

Ministers will exchange views on the state of play regarding the implementation of the Recovery and Resilience Facility (RRF).

With regard to the European Semester 2022, the Council is expected to adopt conclusions on the 2022 alert mechanism report and on the Annual Sustainable Growth Survey 2022. It is also expected to approve the 2022 recommendation on the economic policy of the euro area.

Ahead of the G20 meeting, ministers will give guidance for further work on the G20 EU Terms of Reference.

Under other business, the French presidency will update ministers on legislative proposals in the field of financial services and the German delegation will update ministers on the priorities of the G7 Presidency. Ministers will also be updated on the latest EIB investment report.

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The Eurogroup will meet on Monday 17 January (15.00).

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

[Economic and Financial Affairs Council - meeting page](#)

[Eurogroup - meeting page](#)

[Economic and Financial Affairs 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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Presentation of the presidency priorities

The French presidency will present its priorities for economic and financial affairs for the first half of 2022.

Ministers will hold an exchange of views.

Corporate taxation: Fair and effective taxation for multinational groups

In public session, ministers will hold a policy debate on the proposed Council directive on **ensuring a global minimum level of taxation for multinational groups** in the Union.

The aim of the directive is to transpose the global OECD/G20 Inclusive Framework (IF) on base erosion and profit shifting (BEPS) on a two-pillar reform of the rules on international corporate taxation into EU law. This international agreement, which brings together 137 countries and jurisdictions, constitutes a **major milestone towards an effective and fair system of profit taxation**. The directive concerns the so-called Pillar Two of the reform, which precedes Pillar One, on which technical work is still ongoing in the OECD BEPS IF.

Once unanimously adopted by the Council, the directive would require member states to transpose the necessary elements of the globally agreed rules on minimum effective taxation of profits of the largest multinational corporations (to be applied from 1 January 2023, as proposed by the Commission).

The French Presidency is therefore taking the earliest opportunity to take work forward at Council level. This comes after the Commission tabled its proposal for a directive at the end of December 2021. The French Presidency will invite ministers to hold a **policy debate** while analysis of the proposal is still ongoing at the technical level. The directive will be adopted at a later stage once the Council has finished examining the proposal.

At the orientation debate at the January Ecofin Council, ministers will be invited to **provide political guidance on whether they can confirm the priority nature of this file and the need to urgently transpose the agreed rules of international corporate taxation as soon as possible**.

In its conclusions of 27 November 2020, the **Council already expressed its continued support** of the work at G20/OECD level in this regard.

Background

On 8 October 2021, the OECD/G20 BEPS IF reached an agreement on a statement and a detailed implementation plan (reference below). The October statement is not the final agreement, but rather **a political commitment**: the parties supporting the statement undertake to continue their negotiations on all remaining details and draft legal texts/model rules/commentaries thereof.

The reform of international corporate tax rules will **consist of two pillars**. Technical work on Pillar 2 in the OECD/G20 BEPS IF precedes work on Pillar 1.

Pillar 1 covers the new system of attributing taxing rights over the largest multinational enterprises to jurisdictions where profits are earned. The key element of this pillar will be an **international convention** to be opened for signature in mid-2022.

Pillar 2 contains rules aimed at reducing the opportunities for tax base erosion and profit shifting to ensure that the agreed minimum rate of corporate tax is paid. The core element of Pillar 2 is **a set of model rules and their commentary**. Jurisdictions are expected to design their domestic rules on the basis of this model.

The BEPS IF has almost completed its technical work on the commentary of the detailed rules of Pillar 2. The detailed rules on Pillar 1 are expected to be finalised a little later this year.

The Commission tabled its proposal for a directive on 22 December 2021, the purpose of which is to **ensure a consistent and EU-law compatible implementation of the new rules in the EU**

([5015/22](#); [15294/21](#)). [Fair Taxation: Commission proposes swift transposition of the international agreement on minimum taxation of multinationals \(European Commission\)](#)

[Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021 \(OECD\)](#)

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

[Taxation \(background information\)](#)

Economic recovery in Europe: Recovery and Resilience Facility

Ministers will exchange views on the **state of play regarding the implementation of the Recovery and Resilience Facility (RRF)**.

At this stage, **Commission assessments of Recovery and Resilience Plans (RRPs) for five member states are still pending**. Should the Commission's assessment be positive, the next step in the procedure is for the Council to adopt a so-called Council implementing decision (CID) for each RRP approving the Commission's assessment.

The bulk of the implementation of the RRF is expected to take place in 2022. RRF financial support is frontloaded, with 70% of the amount available for grants to be legally committed by 31 December 2022.

Member states have started to submit their payment requests for the implementation of their plans. The Council has no formal role in the disbursement decisions, which are taken by the Commission in accordance with a comitology examination procedure upon receipt of the requests. In this decision-making process, the Commission will take into account an opinion given by the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets.

The RRF regulation provides an **emergency brake** requiring an “exhaustive discussion” in the European Council if, exceptionally, one or more member states consider that there are serious deviations from the satisfactory fulfilment of milestones and targets related to the payment requests.

For each member state, the regulation sets out a revision of the 30% of the maximum financial contribution to be made by 30 June 2022, taking into account real GDP developments compared with the Commission 2020 autumn forecast. The Commission updates the contribution for each member state in accordance with the methodology specified in the regulation.

Member states may submit revised RRP to take account of the 30% adjusted financial contributions. At this stage **seven member states have requested loan support** when submitting their plans. The remaining member states are still able to do so by submitting new RRP before 31 August 2023. These loan support requests and, if necessary, financially adjusted plans would require new CIDs to be adopted.

The first annual report on the RRF is expected to be published in early 2022. The Commission must present a review report on its implementation by 31 July 2022.

State of play

The RRF is a temporary recovery instrument that **allows the Commission to issue debt on behalf of the Union** to help Member States implement reforms and investments. **It makes €723.8 billion available in loans (€385.8 billion) and grants (€338 billion).**

By December 2021, all member states except the Netherlands had submitted their RRP. The Council has acted swiftly on the Commission proposals and adopted **Council implementing decisions approving assessments of 22 plans** within the tight timeframe set in the regulation. The Commission is in discussions with Bulgaria, Hungary, Poland and Sweden on the assessment of their RRP.

The RRF is performance-based. Regular payments are unlocked as agreed milestones and targets towards achieving the reforms and investments in the plans are met.

So far, 18 member states have received pre-financing (13% of the amounts requested) for a total of €54.2 billion. To fund the plans, the Commission has already borrowed €71 billion through long-term instruments and €25 billion through short-term instruments on the financial markets.

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

[Infographic: RRF Recovery and Resilience Facility](#)

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

[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 2022

The Council is expected to:

- Adopt conclusions on the **2022 alert mechanism report**
- Adopt conclusions on the **2022 annual sustainable growth survey**
- Approve **2022 recommendation on the economic policy of the euro area**.

The European Semester, which was introduced in 2011, is the framework for integrated surveillance and coordination of economic, fiscal, labour and social policies in the EU. Its focus is on the six-month period from the beginning of each year, hence its name - the 'semester'. During the European Semester, the member states align their budgetary and economic policies with the rules agreed at EU level.

For the last two years, the European Semester has been temporarily adapted in view of the COVID-19 pandemic. In 2022, it is expected to broadly return to normal while evolving in line with the implementation of the Recovery and Resilience Facility.

The European Semester 2022 started with the publication by the Commission of the autumn package on 24 November 2021, which includes the Annual Sustainable Growth Survey (ASGS), the Alert Mechanism Report (AMR) and the euro area recommendation (EAR). For its part the Joint Employment Report is handled by the Employment, Social Policy, Health and Consumer Affairs Council configuration (EPSCO).

At its January 2022 meeting, the Ecofin Council will aim to approve conclusions on the ASGS, the AMR and the EAR. The EAR will be submitted for endorsement to the European Council in March 2022 before being adopted by the Council at its April Ecofin meeting.

Indicative forward planning

By the end of April 2022, member states have to submit their national reform programmes and stability or convergence programmes. In addition to their importance for the European Semester, the national reform programmes will also fulfil one of the two bi-annual reporting requirements of member states under the Recovery and Resilience Facility. In May-June 2022, the Commission is expected to publish its spring package, including country reports, proposals for Country Specific Recommendations 2022 and in-depth reviews under the macroeconomic imbalances procedure.

In June 2022, the Ecofin (in parallel with the EPSCO Council) will aim to agree on Country Specific Recommendations to be submitted to the General Affairs Council and to be endorsed by the European Council.

In July 2022, the Ecofin Council will aim to adopt conclusions on the in-depth reviews and integrated Country Specific Recommendations as endorsed by the European Council.

[European semester \(background information\)](#)

[European Semester Autumn Package: rebounding stronger from the crisis and making Europe greener and more digital \(European Commission\)](#)

G20 EU Terms of Reference

Ministers will give guidance for further work on the G20 EU Terms of Reference, thereby advancing preparations for the meeting of G20 finance ministers and central bank governors in February 2022.

The G20 meeting of finance ministers and central bank governors provides a forum for key countries in the international financial system to discuss major international economic issues and to coordinate the global economy's stable and sustainable growth.

Other items

a) Financial services legislation

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

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

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

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

b) G7 Presidency priorities

The German delegation will update ministers on the priorities of the G7 Presidency.

c) EIB investment report

Ministers will be update on the latest EIB investment report.
