BACKGROUND BRIEF [1]
Brussels, 19 May 2022

Economic and Financial Affairs Council
Brussels, 24 May 2022

Chair: **Bruno Le Maire**, Minister for the Economy, Finance, industrial and digital sovereignty

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

Starting time: 10.30

Press conferences:

• after the Eurogroup meeting (Monday evening, +- 20.00)

• after the Economic and Financial Affairs Council (Tuesday afternoon, +- 13.00)

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The Council will have an exchange of views on the **economic and financial aspects of Russia's military aggression against Ukraine**.

The most recent economic developments in the EU will also be discussed during the Ecofin Council's informal breakfast.

The Council will then take stock of the implementation of the **Recovery and Resilience Facility (RRF)**.

In public session, ministers may revert on the proposal for a Council directive on ensuring a **global minimum level of taxation for multinational groups** in the Union.

As an item without discussion, the Council is expected to adopt its position on a proposed modification of the regulation on **European long-term investment funds (ELTIF)**, which is part of the Capital Markets Union package.

The presidency will update ministers on legislative proposals in the field of **financial services**. The Presidency and the Commission will debrief ministers on the results of the latest **G20** finance ministers' and central bank governors' meeting. Finally, the Commission will present to ministers the recommendations of its **group of wise persons** on challenges facing the Customs Union.

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The Eurogroup will meet on Monday 23 May (15.00).

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

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*On 23 May at 11.00, the twice-yearly **macroeconomic dialogue with social partners** will take place. The presidency and the two upcoming presidencies, the Commission, the European Central Bank President and the Eurogroup President will exchange views with representatives of the social partners on the recent developments of the economic situation, as well as the consequences of the war in Ukraine on the European labour market, especially as regards the labour market integration of Ukrainian refugees.*

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*On 24 May at 8.00, an **economic and financial dialogue between the EU and the Western Balkans and Turkey** will take place. The EU will be represented by the current and the two upcoming presidencies of the EU Council: France, Czechia and Sweden. Participants will discuss economic challenges in the region as well as measures to support a sustainable and inclusive recovery from the economic crisis.*

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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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Economic and financial consequences of Russia's military aggression against Ukraine

The Council will have an exchange of views on the economic and financial aspects of Russia's military aggression against Ukraine.

Ministers will be given an update by the European Commission on the economic and financial impact of sanctions on Russia. The Council will take stock and discuss the state of play as regards the implementation of sanctions.

Ministers may also discuss possible additional assistance from the European Union to Ukraine.

EU economy and finance ministers continue to follow these developments closely. On 25 February they issued a statement, together with the European Commission and the European Central Bank, underlining their unity and their commitment to consider all possible sanctions, as well as their desire to strengthen Europe's strategic autonomy.

Ukraine: press statement from the EU Ministers for Finance, European Commission and the European Central Bank (press release, 25 February 2022)

Council adopts €1.2 billion assistance to Ukraine (press release, 21 February 2022)

Timeline - EU restrictive measures in response to the crisis in Ukraine (background information)

EU restrictive measures in response to the crisis in Ukraine (background information)

Economic recovery in Europe

Ministers will take stock of the implementation of the Recovery and Resilience Facility (RRF), following a presentation by the European Commission on the state of play. The Council will not adopt any implementing decisions at this meeting.

The Recovery and Resilience Facility is the EU's programme of large-scale financial support in response to the challenges the pandemic has posed to the European economy. The facility's €672.5 billion are used to support the reforms and investments outlined in the member states' recovery and resilience plans.

Recovery fund: ministers welcome assessment of national plans for Bulgaria and Sweden (press release, 3 May 2022)

Recovery fund: ministers welcome assessment of Estonia's, Finland's and Romania's plans (press release, 28 October 2021)

Council gives go-ahead to Malta's recovery plan (press release, 5 October 2021)

Recovery fund: ministers welcome assessment of Czechia's and Ireland's plans (press release, 6 September 2021)

Recovery fund: ministers welcome assessment of four more national plans (press release, 26 July 2021)

Council gives green light to first recovery disbursements (press release, 13 July 2021)

A recovery plan for Europe (background information)

The Recovery and Resilience Facility (European Commission)

The EU as a borrower – investor relations (European Commission)

Corporate taxation: Fair and effective taxation for multinational groups

In public session, ministers may revert on the proposal for a Council directive on **ensuring a global minimum level of taxation for multinational groups** in the Union.

The aim of the directive is to transpose into EU law part of the agreement by the OECD/G20 Inclusive Framework (IF) on base erosion and profit shifting (BEPS), which provides for a global two-pillar reform of the rules on international corporate taxation. 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 'second pillar' of the reform, which precedes the 'first pillar', on which technical work is still ongoing within the OECD's Inclusive Framework on BEPS.

Once unanimously adopted by the Council, the directive would require member states to transpose the necessary elements of the globally agreed rules on the minimum effective taxation of the profits of the largest multinational corporations.

Background

On 8 October 2021, the OECD/G20 BEPS IF reached an agreement on a statement and a detailed implementation plan (link 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 associated draft legal texts, model rules and commentaries.

The reform of international corporate tax rules will consist of two pillars.

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 draw up their domestic rules on the basis of this model.

On 22 December 2021, the Commission tabled its proposal for a directive, the purpose of which is to ensure a consistent implementation of the new rules in the EU in a manner compatible with EU law.

Recording of the discussion at Ecofin Council on 15 March 2022

Recording of the discussion at Ecofin Council on 18 January 2022

(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)

Taxation (background information)

Capital Markets Union: European long-term investment funds (ELTIF)

As an item without discussion, the Council is expected to agree its position (general approach) on a proposed modification of the regulation on European long-term investment funds (ELTIF) in order to make these investment funds more attractive. This proposal is part of the capital markets union (CMU) package, a plan to create a single market for capital in order to get investments and savings flowing across all member states for the benefit of citizens, businesses and investors.

The ELTIF regulatory framework sets out detailed fund rules on eligible assets and investments, diversification and portfolio composition, leverage limits and marketing. ELTIFs are the only type of funds dedicated to long-term investments which can be distributed on a cross-border basis to both professional and retail investors.

Commission proposal

Capital Markets Union (background information)

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)

G20

The Presidency and the Commission will debrief ministers on the results of the G20 finance ministers' and central bank governors' meeting which took place on 20 April 2022 in Washington D.C. under the Indonesian G20 presidency. This will be followed by an exchange of views.

Ministers of finance and governors of central banks of G20 countries work together on solutions on the current global economic challenges (G20 press release)

Other items

Wise persons group on challenges facing the Customs Union

The Commission will present to ministers the recommendations of its group of wise persons on challenges facing the Customs Union.

WPG website