Council of the European Union

PRESS
EN

BACKGROUND BRIEF[1]
Luxembourg, 16 October 2023

Economic and Financial Affairs Council
Luxembourg, 17 October 2023

Chair: **Nadia Calviño,** acting Minister for Economic Affairs and Digital Transformation

European Commission's representatives: Commission Vice-President **Valdis Dombrovskis**, Commissioner **Paolo Gentiloni,** Commissioner **Mairead McGuinness**

Starting time: 10:00

Press conferences:

- after the agenda point on transatlantic economic dialogue - a short joint press conference by Eurogroup President Paschal Donohoe and US State Secretary of Treasury Janet Yellen (Monday 16 October at +/- 15:40)
- after the Eurogroup meeting (Monday 16 October at +/- 19:00)
- after the Economic and Financial Affairs Council (Tuesday 17 October +/- 14:30)

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The Council will hold a policy debate on the proposed reform of the **economic governance framework**.

Ministers will exchange views on the state of play of the implementation of the **Recovery and Resilience Facility** (RRF). It will aim to adopt implementing decisions approving the amended recovery and resilience plans of Czechia, Spain, Netherlands, Portugal and Slovenia.

Ministers will exchange views on the state of play of the economic and financial impact of **Russia's aggression against Ukraine**.

The Council will seek to approve conclusions on **climate finance** in preparation for the UN Climate Change Conference (COP 28), which will take place in Dubai, UAE, from 30 November to 12 December 2023.

The Presidency and the Commission will inform ministers on the main results of the **G20 meeting of Finance Ministers and Central Bank Governors** of 12-13 October 2023.

Ministers will receive a report based on work in the Code of Conduct (business taxation) Group, related to the regular update of the **EU list of non-cooperative jurisdictions for tax purposes**. The Council will be invited to approve the update of the EU list without discussion.

Regarding financial services, ministers will be invited to take note of the state of play of the implementation of legislation and of the state of play of current legislative proposals. These are recurring items on the agenda.

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

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The Eurogroup will meet at 14:00 on Monday 16 October.

In inclusive format, it will discuss:

- Transatlantic economic dialogue
- The Future of European Capital and Financial Markets: exchange of views with market participants on drivers for unlocking capital funding in the EU
- Preparation of the Euro Summit

In regular format, it will discuss:

- Euro area priorities in the Recovery and Resilience Plans and the implementation of the euro area recommendations: taking stock
- Digital euro – Stocktake on the advancement of the project
- Debrief on international meetings
- Miscellaneous

Eurogroup - meeting page

Economic and Financial Affairs Council - meeting page

Eurogroup - video coverage in broadcast quality (MPEG4) and photo gallery

Economic and Financial Affairs Council - video coverage in broadcast quality (MPEG4) and photo gallery

Press conferences and public events by video streaming

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Economic governance review

The Council will hold a policy debate on the proposed reform of the economic governance framework.

The EU's **economic governance framework** is a set of common rules for national fiscal and economic policies which apply to all member states. They serve to ensure the sustainability of public finances and promote convergence while addressing macroeconomic imbalances.

The economic governance framework is based on:

- **The Treaty on the functioning of the EU** – sets reference values for government deficits and debts (respectively 3% of gross domestic product (GDP) and 60% of GDP)
- **The stability and growth pact** – defines the rules for monitoring and coordination of national fiscal and economic policies
- **The six-pack** and **two-pack** legislations **–** reinforce fiscal surveillance after the financial crisis and create the macroeconomic imbalance procedure to ensure oversight of imbalances emerging outside the fiscal sphere
- **Code of conduct** documents - guidelines to interpret the six-pack and two-pack legislations

On 9 November 2022, the Commission released a communication on orientations for a reform. The main novelty concerning fiscal rules in the communication is the introduction of four-year medium-term fiscal structural plans outlining country-specific fiscal adjustment paths, based on a single operational fiscal indicator, currently known as the expenditure benchmark. The Commission would initially propose fiscal paths based on a debt sustainability analysis, while member states could request an extension of the four-year path against national reforms and investment.

On 14 March 2023, in a spirit of compromise, member states were able to agree on a way forward by means of Council conclusions. The Council conclusions **highlighted areas of convergence of views among member states** and identified issues for further work on a reformed framework. The conclusions resolved to process possible next steps in the Council with a view to concluding legislative work in 2023.

Subsequently, the Commission presented its legislative proposals on 26 April 2023. The legislative package focuses on fiscal matters. It contains **three proposals**:

- A proposal for a new regulation on the effective coordination of economic and multilateral budgetary surveillance, replacing the existing preventive arm regulation of the Stability and Growth Pact.
- A proposal to amend the existing regulation on speeding up and clarifying the implementation of the excessive deficit procedure (EDP), which is the set of rules that come into effect if a member state breaches the Treaty reference values of 3% and 60% of GDP for public deficit and debt respectively. This is the corrective arm of the Stability and Growth Pact.
- A third proposal to amend the Council directive on requirements for budgetary frameworks of member states.

The Council exchanged views on the proposed reform of the economic governance framework on 16 June 2023.

Recording of the discussion on 16 June 2023

Proposal for a new regulation on the effective coordination of economic policies and multilateral budgetary surveillance

Proposal to amend the regulation on the excessive deficit procedure

Proposal for a directive amending directive 2011/85/EU on requirements for budgetary frameworks of the member states

Economic governance framework: Council agrees its orientations for a reform (press release, 14 March 2023)

Economic governance framework (background information)

Recovery and Resilience Facility

Ministers will hold an exchange of views on the implementation of the Recovery and Resilience Facility (RRF). It will aim to adopt implementing decisions approving the amended recovery and resilience plans of Czechia, Spain, Netherlands, Portugal and Slovenia.

Among other amendments, the countries have added new RepowerEU chapters to their updated plans.

The recovery and resilience facility (RRF) is the EU's large-scale financial support programme in response to the challenges the pandemic has posed to the European economy. It is the centrepiece of NextGenerationEU, a temporary recovery instrument that allows the Commission to raise funds to help repair the immediate economic and social damage caused by the COVID-19 pandemic.

To benefit from the facility's €724 billion (in current prices), member states submit recovery and resilience plans (RRPs) to the Commission, setting out the reforms and investments they intend to implement by the end of 2026.

To date, all RRPs have been approved, 39 payment requests have been received from 22 member states, and €174.7 billion have been disbursed.

Regulation 2023/241 as regards REPowerEU chapters, in force since 1 March 2023, increases the RRF financial envelope by €20 billion in new grants. In addition, member states are able to voluntarily transfer up to €5.4 billion from the Brexit Adjustment Reserve to the RRF to finance REPowerEU measures. This comes on top of the existing transfer possibilities of 5% from the cohesion policy funds (up to €17.9 billion).

During 2023, it is expected that gradually each of the 27 member states will submit amendments to their national recovery and resilience plans at least once, to access the new REPowerEU grants, to request available loans, or to take into account the updated RRF allocation.

Proposal for an amending Council implementing decision on France's national plan

A recovery plan for Europe (background information)

REPowerEU: energy policy in EU countries' recovery and resilience plans (background information)

The REPowerEU plan explained (infographic)

Russia's aggression against Ukraine

Ministers will exchange views on the state of play of the economic and financial impact of Russia's aggression against Ukraine. Discussions will focus on the economic and budgetary situation in Ukraine, based on the input from the Commission and the Presidency.

EU solidarity with Ukraine (background information)

EU response to Russia's invasion of Ukraine (background information)

Climate finance in view of COP28

The Council will seek to approve conclusions on climate finance in preparation for the UN Climate Change Conference (COP 28), which will take place from 30 November to 12 December 2023.

In its conclusions, the Council will underline its strong commitment to deliver on climate finance. The EU and its member states are the largest contributor to international public climate finance, and since 2013 have more than doubled their contribution to climate finance to support developing countries.

The Council will also underline that the EU and its member states are committed to the goal of developed countries to collectively mobilise USD 100 billion per year in climate finance until 2025. They expect this goal to be met in 2023 for the first time.

As in previous years, the conclusions do not yet include the figure of the EU contribution in 2022. It will be made available by the Commission mid-November, to be approved by the Council separately, in time before the start of COP 28.

On 16 October, in the Environment Council, ministers will seek to approve conclusions that set the general mandate for the EU's negotiators at the COP 28 climate conference. The conclusions on climate finance aim to complement the EU's general mandate.

The main agenda items of COP28 are expected to be:

- Global Stocktake
- Mitigation Work Programme
- Global Goal on Adaptation
- Climate finance, including financial arrangements for Loss and Damage

Every year, the Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC) meets to determine ambitions and responsibilities, and to identify and assess climate measures.

The EU and its member states are parties to the Convention, which counts 198 Parties (197 countries plus the European Union) in total. The rotating presidency of the Council, together with the European Commission, represent the EU at these international climate summits.

Financing the climate transition (background information)

Climate change: what the EU is doing (background information)

G20 follow-up

The Presidency and the Commission will inform ministers on the main results of the G20 meeting of Finance Ministers and Central Bank Governors of 12-13 October 2023.

The Presidency and the Commission regularly inform economic and finance ministers of the outcomes of the G20 meetings.

The meeting of the Finance Ministers and Central Bank Governors of G20 countries took place in two sessions. One session focussed on strengthening multilateral development banks (MDBs) to address shared challenges of the 21st century and a second session on global economy and the G20 crypto assets agenda.

G20 website

Taxation: EU list of non-cooperative jurisdictions

Ministers will receive a report based on work in the Code of Conduct (business taxation) Group, relating to the regular update of the EU list of non-cooperative jurisdictions for tax purposes. The Council will be invited to approve the update of the EU list (without discussion).

The updated EU list of non-cooperative tax jurisdictions includes countries that either have not engaged in a constructive dialogue with the EU on tax governance or have failed to deliver on their commitments to implement the necessary reforms. Those reforms should aim to comply with a set of objective tax good governance criteria, which include tax transparency, fair taxation and implementation of international standards designed to prevent tax base erosion and profit shifting.

The code of conduct group, the Council body which prepares the updates of the list, is cooperating closely with international bodies such as the OECD Forum on Harmful Tax Practices (FHTP) to promote tax good governance worldwide. The group is also responsible for monitoring tax measures in the EU member states. The chair of the group maintains regular dialogue with jurisdictions concerned.

The EU list of non-cooperative jurisdictions for tax purposes was established in December 2017. It is part of the EU's external strategy on taxation and aims to contribute to ongoing efforts to promote tax good governance worldwide. Jurisdictions are assessed on the basis of a set of criteria laid down by the Council. These criteria cover tax transparency, fair taxation and implementation of international standards designed to prevent tax base erosion and profit shifting. Work on the list is a dynamic process. Since 2020, the Council has updated the list twice a year.

The list is set out in annex I of the Council conclusions on the EU list of non-cooperative jurisdictions for tax purposes. The conclusions also include a state-of-play document (annex II) identifying cooperative jurisdictions which have made further improvements to their tax policies or related cooperation.

EU list of non-cooperative jurisdictions (background information)

Code of Conduct Group (Business Taxation) (background information)

Taxation: administrative cooperation in the field of taxation (DAC8)

The Council will adopt a Directive on administrative cooperation in the field of taxation, without discussion.

On 8 December 2022 the Commission presented a proposal for a Council directive amending directive 2011/16/EU on administrative cooperation in the field of taxation (DAC8). The key objectives of this legislative proposal are the following:

- to **extend the scope of automatic exchange of information** under DAC to information that will have to be reported by crypto-asset service providers on transactions (transfer or exchange) of crypto-assets and e-money. Expanding administrative cooperation to this new area is aimed at helping member states to address the challenges posed by the digitalisation of the economy. The provisions of DAC8 on due diligence procedures, reporting requirements and other rules applicable to reporting crypto-asset service providers will reflect the **Crypto-Asset Reporting Framework (CARF)** and a set of amendments to the **Common Reporting Standard (CRS)**, which were prepared by the **OECD** under the mandate of the **G20**. The G20 endorsed the CARF and the amendments to CRS, both of which it considers to be integral additions to the global standards for automatic exchange of information
- to extend the scope of the current rules on exchange of tax-relevant information by including provisions on **exchange of advance cross-border rulings concerning high-net-worth individuals**, as well as provisions on **automatic exchange of information on non-custodial dividends and similar revenues**, in order to reduce the risks of tax evasion, tax avoidance and tax fraud, as the current provisions of DAC do not cover this type of income
- to amend a number of other existing provisions of DAC. In particular, the proposal seeks to improve the rules on reporting and communication of the **Tax Identification Number (TIN)**, in order to facilitate the task of tax authorities of identifying the relevant taxpayers and correctly assessing the related taxes, and to amend DAC provisions on penalties that are to be applied by member states to persons for the failure of compliance with national legislation on reporting requirements adopted pursuant to DAC.

On 16 May 2023, the **Council reached a political agreement** on its position regarding amendments to the directive on administrative cooperation in the area of taxation. The amendments mainly concern the reporting and automatic exchange of information on revenues from **transactions in crypto-assets** and information on advance tax rulings for the wealthiest **(high-net-worth) individuals**.

The European Parliament adopted its opinion on the directive 13 September 2023 under the consultation procedure. The directive will be adopted **by member states in the Council, by unanimity**.

Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation

Adoption note

Cooperation between national taxation authorities: Council puts the spotlight on crypto-assets and the wealthiest individuals (press release, 16 May 2023)

Financial services

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

Progress on financial services legislative files

Digital finance (background information)

Capital markets union (background information)