Council of the European Union

PRESS
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BACKGROUND BRIEF[1]
Brussels, 18 June 2024

Economic and Financial Affairs Council
Luxembourg, 21 June 2024

Chair: **Vincent Van Peteghem**, Belgian Deputy Prime Minister and Minister of Finance

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

Starting time: 11:00

Media opportunities:

- joint doorstep by Paschal Donohoe, President of Eurogroup and Pierre Gramegna, Managing Director of the European Stability Mechanism (Thursday 20 June from +/- 12:15 in ESM premises, 6a, Circuit de la Foire Internationale, L-1347 Luxembourg)
- doorstep by Paschal Donohoe, President of Eurogroup, (Thursday 20 June +/- 15:00 in the European Conference Centre Luxemburg (ECCL))
- press conference by Kristalina Georgieva, IMF managing director (Thursday 20 June at +/- 16:15 in the (ECCL)
- press conference after the Eurogroup (Thursday 20 June at +/- 18:30 in the ECCL)
- doorstep by Vincent Van Peteghem, Belgian Deputy Prime Minister and Minister of Finance (Friday 21 June at +/- 08:45 in the ECCL)
- press conference after the Economic and Financial Affairs Council (Friday 21 June at +/- 14:00 in the ECCL)

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The Council will be invited to reach a political agreement on the **value added tax (VAT) in the digital age package**. The package consists of three proposals that aim to tackle VAT fraud, support businesses and promote digitalisation.

The Council will exchange views on the state of play of the implementation of the **Recovery and Resilience Facility** (RRF). It will aim to approve the **amended recovery and resilience plan of Ireland**.

Ministers will exchange views on the state of play of the economic and financial impact of **Russia's aggression against Ukraine**. Serhiy Marchenko, the Ukrainian minister of finance, will join part of the debate via videocall.

The Commission will present the **2024 European Semester Spring Package** to ministers, which includes this year's draft **country-specific recommendations** and a report which is an early step in the **excessive deficit procedure**.

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

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Under points without discussion, the Council will be invited to approve a **report to the European Council on tax issues** as well as conclusions on the **progress achieved by the Code of Conduct Group during the Belgian presidency**.

The presidency will inform ministers about the work carried out in the ad hoc committee to draft terms of reference for a **UN Framework Convention on International Tax Cooperation**.

The Presidency will present the state of play of legislative proposals in the field of **financial services**. This is a recurrent item on the ECOFIN agenda.

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The **Eurogroup** will meet at 15:15 on Thursday 20 June.

In regular format:

- IMF Article IV review of euro area policies
- International role of the euro – stocktaking
- Miscellaneous

In inclusive format:

- Euro area competitiveness: the role of industrial policy and market integration
- Miscellaneous

Ministers will hold a ministerial breakfast on 21 June from 10.00-11:00.

In the margins of the meeting, the ESM Board of Governors will hold its annual meeting on 20 June from 12:30-14:00.
Press registration +/- 11.00, arrivals +/- 11:30, roundtable +/- 12:25. For the roundtable, interested media must register in advance by e–mail to a.reis@esm.europa.eu.

In the margins of the meeting, the European Investment Bank will hold its Board of Governors annual general meeting on 21 June from 08:00-10:00.

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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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VAT in the Digital age

The Council will aim to agree on the value added tax (VAT) in the digital age package, which aims to tackle VAT fraud, support businesses and promote digitalisation.

On 8 December 2022, the Commission presented the 'VAT in the digital age' package, which consists of three proposals that update existing legislation:

– a proposal for a Council directive as regards VAT rules for the digital age
– a proposal for a Council regulation as regards the VAT administrative cooperation arrangements needed for the digital age
– a proposal for a Council implementing regulation as regards information requirements for certain VAT schemes

The package sets out to modernise reporting obligations for VAT purposes by standardising the information that needs to be submitted by taxable persons on each transaction and by imposing the use of e-invoicing for cross-border transactions, which would fight against VAT fraud.

It seeks to address the challenges of the platform economy by enhancing the role of platforms in the collection of VAT when they facilitate the supply of short-term accommodation rental or passenger transport services.

The package also aims to make it possible to register for VAT purposes only once for all EU member states, by expanding and improving the functioning of the existing one-stop shop systems and reverse charge mechanisms.

The three proposals in the package are subject to different procedures, but for each one unanimity within the Council is required. After an agreement is reached, a number of formalities will need to be complied with, and the acts will then need to be formally adopted by the Council.

Ministers sought an agreement on the package on 14 May 2024 but unanimity on the proposal for a Council directive on VAT rules for the digital age was not reached.

Watch the public session of 14 May 2024

Digital taxation (background information)

Commission proposal

Recovery and Resilience Facility

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

The Council will seek to adopt an implementing decision approving the modified recovery and resilience plan, submitted by Ireland.

The 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, 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.

So far, €648 billion has been committed to this end. To date all RRPs have been approved and €240 billion has been disbursed.

The RepowerEU regulation is in force since 1 March 2023. Its purpose is to end the EU's dependence on Russian fossil fuels by saving energy, diversifying supplies and accelerating the clean energy transition. Under the regulation, EU countries are adding specific chapters to their national recovery and resilience plans in order to finance key investments and reforms which will help achieve the REPowerEU objectives. These objectives include energy savings, the diversification of energy supplies and the accelerated roll-out of renewables. RepowerEU increases the RRF financial envelope by €20 billion in new grants.

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

The Council will exchange views on the state of play of the economic and financial impact of Russia's aggression against Ukraine. Ministers will be informed about the economic and budgetary situation in Ukraine and will be updated on the aspects related to Ukraine in the latest G7 leaders Communique. Serhiy Marchenko, the Ukrainian minister of finance will join the meeting via videocall.

EU solidarity with Ukraine (background information)

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

The Ukraine Facility

European Semester 2024

The Commission will present to the ministers the 2024 European Semester spring package, which is expected to be published on 19 June 2024.

Among the key elements of the spring package will be 27 draft **country-specific recommendations (CSRs)** and an omnibus report on those member states which in 2023 ran a government deficit exceeding the Treaty reference value of 3%, in accordance with Article 126(3) of the Treaty on the Functioning of the European Union. The latter is an early step of the **Excessive Deficit Procedure**.

Ministers will be invited to share their initial reactions. Due to timing constraints, the detailed assessment of the proposed documents will take place after the June ECOFIN Council, The Council aims to reach a political agreement on the CSRs at its meeting of 16 July 2024.

Established in 2011, the European Semester enables EU member states to **coordinate their economic, fiscal and employment policies** throughout the year and address any economic challenges facing the EU.

This year the European Semester cycle will be aligned with the provisions of the newly adopted **Economic Governance Review**. The 2024 exercise of the European Semester started on 21 November 2023 with the publication of the autumn package by the Commission.

The spring package marks the beginning of the national dimension within the annual European Semester cycle. It aims to provide specific advice to each member state on their fiscal and economic policies and reforms.

The Commission prepares for each country a set of draft country-specific recommendations (CSRs) providing policy guidance on how to maintain sound public finances, while boosting jobs and growth.

The Council then adopts the CSRs and opinions. It provides explanations in cases where it does not follow those proposed by the Commission.

The European Semester explained (background information)

Economic governance framework

European Semester in 2024

Report to the European Council on tax issues

As an item without discussion, the Council will be invited to approve a biannual report to the European Council on tax issues. This report provides an overview of the progress achieved in the Council during the term of the Belgian Presidency (January to June 2024), as well as an overview of the state of play of the most important items under negotiation in the area of taxation.

The report will, among others, touch upon:

- VAT in the Digital Age package (VIDA)
- faster and safer relief of excess withholding taxes (FASTER)
- rules to prevent the misuse of shell entities for tax purposes (UNSHELL)
- the revision of the energy taxation directive
- a Head Office Tax System for micro, small and medium sized enterprises (HOT)
- transfer pricing
- Business in Europe: Framework for Income Taxation (BEFIT)
- tax policy coordination including the Code of Conduct Group (Business Taxation)

Business taxation: code of conduct group

As an item without discussion, the Council is expected to approve conclusions on the progress achieved by the Code of Conduct Group during the term of the Belgian Presidency (January to June 2024). The Council will also take note of the progress achieved by the Code of Conduct Group during the first half of 2024.

The EU Code of Conduct Group (business taxation) promotes fair tax competition, both within the EU and beyond. The original Code of Conduct was agreed by the EU ministers of finance in 1997 as an intergovernmental, legally non-binding instrument. It is used primarily to identify and assess preferential tax measures (i.e. measures that provide for a lower level of taxation than the level which is applicable in general) that are possibly harmful.

The Code of Conduct Group was established in 1998 to assess tax measures that may fall within the scope of the Code of Conduct. It is composed of high-level representatives of the member states and the European Commission. It is chaired by a representative of a member state, serving a mandate of two years, and assisted by the General Secretariat of the Council (GSC).

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

The Code of Conduct Group, assisted by the GSC, conducts technical work, screenings and assessments of third country jurisdictions on the basis of the screening criteria and the agreed geographical scope to prepare revisions of the EU list. The Commission services assist the group by carrying out the necessary technical preparatory work. The last revision of the EU list of non-cooperative jurisdiction for tax purposes was in February 2024. The next revision is scheduled for October 2024.

Code of conduct group on business taxation (background information)

UN Framework Convention on International Tax Cooperation.

The presidency will inform ministers about **work carried out in the ad hoc committee** to draft terms of reference for a UN Framework Convention on International Tax Cooperation.

The UN General Assembly established, under resolution 78/230 of 22 December 2023, an ad hoc committee to draft the terms of reference for a UN Framework Convention on International Tax Cooperation by August 2024. UN Framework Convention on International Tax Cooperation would better coordinate international tax policy.

The first substantive session of the ad hoc committee was held on 26 April-8 May 2024.

Note by the presidency

EU Statement - UN Framework Convention on International Tax Cooperation: First substantive session of the Ad Hoc Committee to Draft Terms of Reference

Position on behalf of the European Union and its Member States valid for the first substantive session of the Ad Hoc Committee

Financial services

The Presidency will present the state of play of current legislative proposals in the field of financial services. This is a recurrent item on the Council agenda.

Digital finance (background information)

Capital markets union (background information)