BACKGROUND BRIEF[1]
Brussels, 13 May 2024

Economic and Financial Affairs Council
Brussels, 14 May 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

Press opportunities:

- press conference after the Eurogroup meeting (Monday 13 May at +/- 18:30)
- doorstep by Vincent Van Peteghem, Belgian Deputy Prime Minister and Minister of Finance (Tuesday 14 May at +/- 08:15)
- family photo after the economic and financial dialogue (Tuesday 14 May at +/- 10:00)
- press conference after the Economic and Financial Affairs Council (Tuesday 14 May at +/- 15:00)

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Ministers will discuss the state of play of the **economic and financial impact of Russia's aggression against Ukraine**. They will be informed of the state of advancement of the implementation of the Ukraine Facility. The Minister of finance of Ukraine will participate via videoconference.

As a related topic, under items without discussion, the Council is set out to adopt a Council implementing decision on the assessment of **the Ukraine plan**.

The Council will seek an agreement on the proposal on faster and safer relief of **excess withholding taxes (FASTER).** This initiative aims to help fight tax abuse and contribute to delivering the EU capital markets union by encouraging cross-border investment.

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

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

Ministers will exchange views on the state of play of the implementation of the **Recovery and Resilience Facility** (RRF). The Council will aim to adopt implementing decisions approving the modified recovery and resilience plans submitted by Italy and Spain.

The Council will aim to approve conclusions on the **fiscal sustainability challenges arising from ageing**.

The presidency and the Commission will inform ministers about the outcome of the **G20** finance ministers' and central bank governors' meeting that took place on 17-18 April 2024 and the spring meetings of the **International Monetary Fund** (IMF).

The Council will seek to approve **conclusions on financial literacy**, that aim to **contribute to** completing the **capital markets union**. The conclusions intend to give guidance to the Commission and the member states on how to improve citizen's knowledge and understanding of finance, in order to help them make more informed financial choices and to encourage them to invest on European financial markets.

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.

Under other business, the presidency and the Dutch finance minister will present the 2024-2025 strategic work programme of the **Coalition of Finance Ministers for Climate Action** and inform ministers about the outcome of the 11th ministerial meeting of the coalition that took place on 17 April during the IMF Spring meeting.

As an item without discussion, the Council will vote on the **migration and asylum pact**.

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The **Eurogroup** will meet at 15:00 on Monday 13 May.

The Eurogroup will discuss the following:

In regular format (15:00)
- Debrief from international meetings
- Miscellaneous

In banking union format
- Reporting on banking union:
    - 19th hearing of the chair of the supervisory board
    - Reporting on recent activities of the Single Resolution Board

In inclusive format (16:30)
1. Euro area competitiveness: addressing the knowledge gap
2. Stocktaking on capital markets union

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In the margins of the meeting, a **macroeconomic dialogue at political level with social partners (MEDPOL)** will take place on 13 May from 11.00-12:30.

An **economic and financial dialogue** between the finance ministers and central bank governors of Albania, Bosnia and Herzegovina, Georgia, Kosovo[2], Moldova, Montenegro, North Macedonia, Serbia, Türkiye, as an observer Ukraine, Belgium, Hungary, Poland (as the current and incoming presidencies of the Council), the Commission and the European Central Bank, will take place in the margins of the meeting on 14 May from 8:30-10:00.

A **family photo** with all meeting participants will be organised on 14 May at 10:00

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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Withholding taxes

The Council will seek an agreement on a proposal for a Council Directive on faster and safer relief of excess withholding taxes (FASTER). The key objective of this proposal is to introduce more efficient and harmonised procedures across the EU, concerning cross-border cases of relief from withholding taxes that member states levy on income from cross-border investments. It also aims to fight tax fraud in this area and contribute to supporting the good functioning of the EU capital markets union by encouraging cross-border investment.

The European Commission submitted a proposal on FASTER on 19 June 2023.

Currently, in the case of cross-border investments, many member states levy taxes on dividends (from equities and shares) and interests (on bonds) paid to investors who live abroad. At the same time, those investors have to pay income tax in their member states of residence on the same income.

Although treaties between member states intend to solve the issue of double taxation, in reality, the procedures to claim withholding tax relief in the form of a refund, as well as a rate or tax reduction or exemption, are often lengthy and cumbersome and increase the risk of large-scale tax fraud.

The key elements of the Commission's proposal are:

[2] This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

- A register and standardised reporting obligations for financial intermediaries, to provide national tax authorities with the necessary information for tax control and detection of fraud. Registration would ensure that only certified financial intermediaries can apply for a relief of withholding tax on behalf of their clients through the fast-track procedures. In particular, it is proposed that large EU financial intermediaries be required to join a national register of certified financial intermediaries. This register would also be open to non-EU and smaller EU financial intermediaries on a voluntary basis.
- Common EU digital tax residence certificate for taxpayers (eTRC) to make withholding tax relief procedures faster and more efficient. For example, investors with a diversified portfolio in the EU would need only one digital tax residence certificate to claim tax refunds. At present, most member states still rely on paper-based procedures.
- Two standardised procedures (with harmonised deadlines and certain technical features) for refund or relief of the tax:
    - a “relief at source” procedure and
    - a “quick refund” system, which will make these procedures faster, safer and more harmonised across the EU

This proposal is subject to a special legislative procedure, where the Council acts as a sole legislator. Within the Council unanimity is required. After an agreement is reached, and following the completion of the necessary formalities, the directive will then need to be formally adopted by the Council.

Digital taxation (background information)

Commission proposal

VAT in the digital age

The Council will aim to reach a political agreement 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:

- a proposal for a Council directive amending directive 2006/112/EC as regards VAT rules for the digital age;
- a proposal for a Council regulation amending regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age
- a proposal for a Council implementing regulation amending implementing regulation (EU) No 282/2011 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 formal requirements will need to be complied with, and the acts will then need to be formally adopted by the Council.

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 implementing decisions approving the modified recovery and resilience plans, submitted by Italy and Spain.

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, €649 billion has been committed to this end. To date all RRPs have been approved and €232 billion has 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.

A recovery plan for Europe (background information)

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

Russia's aggression against Ukraine

Ministers will discuss the state of play of the economic and financial impact of Russia's aggression against Ukraine. They will be informed about the state of advancement of the implementation of the Ukraine Facility.

The Minister of finance of Ukraine will take part to the discussion via videoconference:

The Ukraine Facility

EU solidarity with Ukraine (background information)

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

Ageing

The Council will aim to approve conclusions on the fiscal sustainability challenges arising from ageing.

The conclusions draw on the main findings of the 2024 ageing report prepared by the European Commission and the Economic Policy Committee (EPC). The report covers age-related public expenditure (e.g. pensions and health care). It states that the working-age population is expected to decline, which means that productivity increases will become the sole driver of potential GDP growth over the long term.

The Council in its conclusions is expected to reaffirm the need to further address the economic and budgetary consequences of ageing, including by adopting sound public finances, raising employment rates, and adapting pension and health care systems to these challenges.

2024 Ageing Report: Economic and Budgetary Projections for the EU Member States (2022–2070)

Country fiches

G20

The presidency and the Commission will inform ministers about the outcome of the G20 finance ministers' and central bank governors' meeting that took place on 17-18 April 2024 and the spring meetings of the International Monetary Fund (IMF).

G20 website

IMF website

Financial literacy

The Council will seek to approve conclusions on financial literacy that aim to contribute to delivering the capital markets union.

The conclusions will give guidance to the Commission and the member states on how to improve citizens' knowledge and understanding of finance, in order to help them make more informed financial choices and to encourage them to invest on European financial markets.

The capital markets union (CMU) is the EU's initiative to create a truly single market for capital across the EU. It aims to get investment and savings flowing across all member states for the benefit of citizens, businesses and investors.

These conclusions follow-up on ministers' discussions in the informal ECOFIN meeting in Ghent in February 2024.

On 11 March 2024 the Eurogroup adopted a statement in inclusive format on the future of capitals markets union that invited member states to create initiatives to improve financial literacy among citizens as well as SMEs, combined with targeted initiatives to create more interest in long-term wealth-creation through investing.

The statement also invited the European Commission to promote a regular exchange of best practices among member states integrating the joint EU/OECD financial competence frameworks in specific financial education measures aimed at building a better understanding of market-based investment opportunities.

Capital markets union

Financial literacy in the EU

Financial services

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.

Digital finance (background information)

Capital markets union (background information)

Climate coalition

Under other business, the presidency and the Dutch finance minister will present the 2024-2025 strategic work programme of the Coalition of Finance Ministers for Climate Action and inform ministers about the outcome of the 11th ministerial meeting of the coalition that took place on 17 April during the IMF Spring meeting.

Strategic work programme for 2024-2025

Coalition of Finance Ministers for Climate Action

Ukraine plan

Under items without discussion, the Council will seek to adopt a Council implementing decision on the **assessment of the Ukraine plan**.

Based on the Commission's assessment, the Council concluded that Ukraine fulfils the precondition for support under the Ukraine Facility. This paves the way for regular and predictable financial support to Ukraine's recovery, reconstruction, and modernisation over the next four years.

The Ukraine Facility will provide predictable financial support of a total of € 50 billion for Ukraine over the 2024-2027 period.

To receive funding, the government of Ukraine has had to prepare a 'Ukraine plan', setting out its reform and investment agenda for Ukraine for the coming years. The plan, submitted by Ukraine on 20 March 2024 includes its vision for recovery, reconstruction and modernisation and the reforms it intends to undertake on the country's path towards EU accession.

On 15 April, the Commission submitted to the Council a proposal for a Council implementing decision that gives a positive assessment of the Ukraine Plan.

The payments to Ukraine will be disbursed subject to the implementation of the agreed reform and investments in the form of the qualitative and quantitative steps set out in the annex of the Council implementing decision.

In addition, financial support under the Ukraine plan will be made available under the precondition that Ukraine continues to uphold and respect effective democratic mechanisms.

Draft Council implementing decision on the approval of the assessment of the Ukraine Plan

Annex to the Council implementing decision on the approval of the assessment of the Ukraine Plan

The Ukraine Facility

EU solidarity with Ukraine (background information)

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

Asylum and migration pact

The Council will seek to adopt the 10 legislative acts of the pact on asylum and migration. This set of rules will help to orderly manage arrivals or irregular migrants, create efficient and uniform asylum procedures and, for the first time, introduces a fair burden sharing between member states.

EU asylum rules (background information)

Macroeconomic dialogue at political level

A macroeconomic dialogue at political level with **social partners** (MEDPOL) will be held in the margins of the meeting on 13 May.

The current and two incoming presidencies (Belgium, Hungary and Poland) will bring together the social partners, the European Central Bank, the President of the Eurogroup and the Commission for a macro-economic dialogue at political level.

The meeting will focus on:

• Review of current economic conditions, outlook and appropriate policy responses

• Strengthening the economic base: challenges and opportunities.

Economic and financial dialogue

An **economic and financial dialogue** will take place in the margins of the meeting on 14 May.

The current and two incoming presidencies (Belgium, Hungary and Poland) will bring together the finance ministers and central bank governors of Albania, Bosnia and Herzegovina, Georgia, Kosovo[3], Moldova, Montenegro, North Macedonia, Serbia, Türkiye, Ukraine, the Commission and the European Central Bank.

For the first time, **Georgia, Moldova and Ukraine** will participate in this meeting. Ukraine will participates as an observer in order to avoid the duplication of work already carried out in the context of the Ukraine Facility.

The aim is to familiarise participants with the close coordination of economic policies among EU Member States through the European Semester.

To mark this milestone, a **family photo** with all meeting participants will be organised on 14 May at 10:00

European Semester explained (background information)

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