Council of the European Union

PRESS EN

BACKGROUND BRIEF[1]
Brussels, 9 December 2024

Economic and Financial Affairs Council
Brussels, 10 December 2024

Chair: **Mihály Varga**, Hungarian minister for finance

European Commission's representatives: Executive Vice-President **Raffaele Fitto**, Commissioner **Maroš Šefčovič,** Commissioner **Valdis Dombrovskis**, Commissioner **Wopke Hoekstra**, Commissioner **Maria Luís Albuquerque,** Commissioner **Piotr Serafin**.

Starting time: 10:00

Media opportunities:

- doorstep by Paschal Donohoe, President of Eurogroup, (Monday 9 December +/- 14:45)
- family photo Eurogroup inclusive format (Monday 9 December +/- 16:00)
- press conference with Paschal Donohoe, President of the Eurogroup and Rachel Reeves, UK Chancellor of the Exchequer (Monday 9 December at +/- 16:30)
- press conference after the Eurogroup (Monday 9 December at +/- 19:00)
- doorstep by Mihály Varga (Tuesday 10 December at +/- 08:45)
- press conference after the Economic and Financial Affairs Council (Tuesday 10 December at +/- 13:00)

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Customs reform

Ministers will be informed of the progress of work within the Council on proposals to reform the EU's customs legislation. The presidency will provide the information based on a presidency progress report.

Energy taxation

Ministers will hold a policy debate on the revision of the energy taxation directive.

Economic governance framework

In the context of the implementation of the economic governance review, the Commission will present draft Council recommendations regarding medium-term fiscal-structural plans and draft Council recommendations under the excessive deficit procedure. This will be followed by an exchange of views by ministers.

Recovery and Resilience Facility

Ministers will take stock of the implementation of the Recovery and Resilience Facility (RRF). The Council is expected to adopt implementing decisions approving modified recovery and resilience plans, submitted by Sweden, Slovenia, Denmark and Belgium.

Russia's aggression against Ukraine

Ministers will be informed of the state of play of the economic and financial impact of Russia's aggression against Ukraine.

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

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European Court of Auditors' annual report

The President of the European Court of Auditors will present the annual report on the implementation of the budget for the financial year 2023. This is a recurring item on the agenda of the ECOFIN Council.

Taxation

Under points without discussion, the Council will approve the bi-annual ECOFIN report to the European Council on tax issues. The Council will also adopt conclusions on the progress achieved by the Code of Conduct Group.

The Council is expected to adopt a directive on withholding taxes (FASTER) and to reach a political agreement on an initiative setting up an electronic VAT exemption certificate.

Financial services

The Presidency will present the state of play of legislative proposals in the field of financial services. Ministers will also be informed of the state of play in implementing EU legislation in the field of financial services. These are recurrent items on the ECOFIN agenda.

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The **Eurogroup** will meet at 15:00 on Monday 9 December to discuss:

In inclusive format

- International economic dialogue with the UK, with Rachel Reeves, UK Chancellor of the Exchequer
- Miscellaneous

In regular format:

- Macroeconomic developments and policy coordination in the euro area, including IMF Article IV mission to the euro area
- Assessment of euro area Member States' Draft Budgetary Plans and of the euro area budgetary situation and prospects
- Miscellaneous

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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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Customs reform

Ministers will be informed of the progress of work within the Council on proposals to reform the EU's customs legislation. The presidency will provide information based on a presidency progress report.

On 17 May 2023, the Commission put forward a comprehensive reform that aims to modernise the EU Customs Union. The reform consists of three proposals.

EU Customs currently operate under pressure due to a huge increase in trade volumes, especially in e-commerce, a fast-growing number of EU standards that must be checked at the border, and shifting geopolitical realities and crises.

The customs reform strives to give the EU the adequate means to stop non-compliant goods from entering the EU, collect more customs duties and carry out adequate controls without putting excessive burden on authorities and traders.

The main elements of the reform are:

- The establishment of a new structure called 'EU Customs Data Hub', which is expected to become a single online environment designed to collect and analyse data and deal with risk management.
- The establishment of an EU agency for customs, called the 'EU Customs Authority'. The EU Customs Authority would oversee the EU Customs Data Hub and carry out customs risk management.
- Changes in the current Authorised Economic Operators (AEO) programme for trusted traders. In some cases, where business processes and supply chains are checked, the most trusted traders ('Trust and Check' traders) would be able to release their goods into circulation into the EU without any active customs intervention.
- Online platforms would be treated as official importers and would be responsible for ensuring that customs duties and VAT are paid at purchase (contrary to the current situation where the responsibility is on the individual consumer and carriers).
- Abolishing the current threshold whereby goods valued at less than €150 are exempt from customs duty.

The Council held a first policy debate at ministerial level on the customs reform in July 2023. The three proposals follow different adoption procedures within the EU.

Commission Communication on the EU customs reform: taking the customs union to the next level

Proposal for a regulation of the European Parliament and the Council establishing the Union Customs Code and the European Union Customs Authority

Proposal for a Council regulation on the introduction of a simplified tariff treatment for the distance sales of goods and the elimination of the customs duty relief threshold

Proposal for a Council Directive on VAT rules relating to taxable persons who facilitate distance sales of imported goods

EU Customs Reform (European Commission)

Energy taxation

Ministers will hold a policy debate on the revision of the energy taxation directive. Ministers will be invited to share their views on the state of play of the negotiations in the Council and to give guidance on further work.

Ministers will be asked the following two questions:

1. In light of the above and in order to get guidance on the way forward on the ETD file, delegations are invited to address during their interventions the following question prepared by the presidency.
2. In light of the ECOFIN Council's 2022 guidance, do you share the view that the current state of play of the negotiations on the Revision of the Energy Taxation Directive shows that we are in the right direction for striking a balance between the climate ambition and the specificities of the member states, as well as the competitiveness of the EU?

On 14 July 2021, the Commission submitted a proposal for a revision of the Union framework for the taxation of energy products and electricity. The proposal is part of the Fit for 55 package of measures that aim to reach the EU targets of reducing emissions by at least 55% by 2030, as compared to 1990 levels, and to achieve climate neutrality by 2050.

The proposal to revise the energy taxation directive in particular aims to align the taxation of energy products with EU energy and climate policies, promote clean technologies and remove outdated exemptions and reduced rates that currently encourage the use of fossil fuels.

The energy taxation directive proposal has the following objectives:

- Contributing to the achievement of the EU 2030 climate targets and to climate neutrality by 2050 by aligning the taxation of energy products, including fossil fuels, with this goal.
- Providing a framework that preserves and improves the EU's internal market by updating the scope of taxable energy products and the structure of rates and by rationalising the use of tax exemptions and reductions by member states; and
- Preserving the capacity to generate revenue for the member states' budgets.

The previous policy debate in the Council on this proposal took place on 6 December 2022.

Presidency note on the revision of the Energy Taxation Directive

Fit for 55 (background information)

Economic governance framework

In the context of the implementation of the economic governance review, the Commission will present recommendations for Council recommendations regarding medium-term fiscal-structural plans and recommendations for Council recommendations under the excessive deficit procedure.

This will be followed by an exchange of views by ministers.

The EU's economic governance framework is a set of common rules for national fiscal andeconomic policies which apply to all member states. They serve to ensure the sustainability ofpublic finances and promote convergence while addressing macroeconomic imbalances. The economic governance review is based on the Treaty on the Functioning of the EU (TFEU) that sets reference values for government deficit and public debt levels at:

3% for the ratio of the planned or actual government deficit to gross domestic product (GDP) at market prices

60% for the ratio of government debt to GDP at market prices.

On 30 April 2024, the EU's reformed economic governance rules entered into force. Under the new framework, each member state must prepare a medium-term fiscal structural plan, spanning four or five years. These plans contain member states' fiscal, reform and investment commitments, and contribute to ensuring consistent, gradual debt reduction and promoting sustainable and inclusive growth.

Based on their reference trajectory or technical information, member states are to incorporate their fiscal adjustment path, expressed as a net expenditure path, into their national medium-term fiscal structural plan.

The net expenditure paths, contained in the national medium-term fiscal structural plans have to be endorsed by the Council, further to an assessment by the Commission.

Furthermore, on 26 July 2024 the Council launched excessive deficit procedures against seven member states, Belgium, France, Italy, Hungary, Malta, Poland and Slovakia, and kept the excessive deficit procedure launched in April 2020 open for Romania.

On 26 November the Commission presented Recommendations for Council Recommendations on the first medium-term fiscal-structural plans of 21 member states.

It also presented Recommendations for Council Recommendations under Article 126(7) TFEU for all eight member states which are currently under an excessive deficit procedure, to take effective action to correct their deficit within a given time period.

The Commission will present these documents to ministers, who will exchange views on this during the ECOFIN Council.

Economic governance framework (background information)

Excessive deficit procedure (background information)

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 is expected to adopt implementing decisions approving targeted amendments to the modified recovery and resilience plans, submitted Sweden, Slovenia, Denmark and Belgium.

The RRF is the EU's large-scale financial support programme in response to the challenges the COVID-19 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 pandemic.

To benefit from the facility, member states must submit recovery and resilience plans (RRPs) to the Commission, setting out the reforms and investments they intend to implement by the end of 2026.

The RepowerEU regulation, in force since 1 March 2023, aims to end the EU's dependence on Russian fossil fuels by saving energy, diversifying energy supplies and accelerating the clean energy transition.

Under the REpowerEU regulation, EU countries have added specific chapters to their national RRPs in order to finance key investments and reforms which will help achieve the REPowerEU objectives. RepowerEU increases the RRF financial envelope by €20 billion in new grants.

To date, all RRPs have been approved, 71 payment requests have been received and more than €269 billion have been disbursed.

Proposal for a Council implementing decision on Belgium's modified plan

Proposal for a Council implementing decision on Sweden's modified plan

Proposal for a Council implementing decision on Slovenia's modified plan

Proposal for a Council implementing decision on Denmark's modified plan

A recovery plan for Europe (background information)

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

Russia's aggression against Ukraine

The Council will take note of 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, including on the implementation of the Ukraine Facility and the implementation of the G7 agreement on a loan of $50 billion (€ 45 billion) to Ukraine to be serviced and repaid by future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets.

Immobilised assets: Council greenlights up to €35 billion in macro-financial assistance to Ukraine and new loan mechanism implementing G7 commitment (press release, 23 November 2024)

G7 Leaders' Statement on Extraordinary Revenue Acceleration (ERA) Loans

EU solidarity with Ukraine (background information)

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

The Ukraine Facility

European Court of Auditor's annual report

The President of the European Court of Auditors, Tony Murphy, will present the annual report on the implementation of the budget for the financial year 2023. This is a recurring item on the agenda of the ECOFIN Council.

European Court of Auditors' annual report for the financial year 2023

Taxation

The Council is expected to approve the bi-annual ECOFIN 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 Hungarian Presidency (July to December 2024), as well as an overview of the state of play of the most important items under negotiation in the area of taxation.

The Council will also aim to adopt conclusions on the progress achieved by the Code of Conduct Group.

As a point without discussion, the Council is expected to agree on a directive paving the way for the introduction of an electronic tax certificate for VAT exemptions. The Commission will have delegated powers to design the certificate.

The Council will also vote on the FASTER directive, which sets out safer and faster procedures to obtain double taxation relief. This will encourage cross-border investment and help fight tax fraud.

Draft Ecofin report to the European Council on tax issues
Taxation (background information)

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

Financial services

The Presidency will present the state of play of legislative proposals in the field of financial services. Ministers will also be informed of the state of play in implementing EU legislation in the field of financial services. These are recurrent items on the ECOFIN agenda.

Current legislative files in the field of financial services

Digital finance (background information)

Capital markets union (background information)