EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2022) 2421 final

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Brussels, 20 July 2022

TEXTE EN

MINUTES

of the 2421st meeting of the Commission

held in Strasbourg

(Winston Churchill building)

on Tuesday 7 June 2022

(afternoon)

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Single sitting: Tuesday 7 June 2022 (afternoon)

The sitting opened at 13.06 with Ms von der LEYEN, President, in the chair.

Present:

Ms von der LEYEN	President	
Ms VESTAGER	Executive Vice-President	
Mr DOMBROVSKIS	Executive Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Ms JOUROVÁ	Vice-President	
Ms ŠUICA	Vice-President	
Mr SCHINAS	Vice-President	
Mr HAHN	Member	
Ms GABRIEL	Member	
Mr WOJCIECHOWSKI	Member	
Mr BRETON	Member	Items 8/9 (in part) to 10.2
Ms FERREIRA	Member	
Ms KYRIAKIDES	Member	
Mr REYNDERS	Member	
Ms DALLI	Member	
Ms JOHANSSON	Member	
Mr LENARČIČ	Member	
Mr VÁRHELYI	Member	
Ms SIMSON	Member	
Ms McGUINNESS	Member	

Absent:

Mr TIMMERMANS	Executive Vice-President
Mr BORRELL i FONTELLES	High Representative / Vice-President

Mr SCHMIT	Member
Mr GENTILONI	Member
Ms VĂLEAN	Member
Ms URPILAINEN	Member
Mr SINKEVIČIUS	Member

The following sat in to represent absent Members of the Commission:

Ms KEIJSPER	Member of Mr TIMMERMANS's staff
Ms LOTSON	Policy coordinator in Mr BORRELL's Office
Ms BERTULESSI	Deputy Chef de cabinet to Mr SCHMIT
Mr SAVIGNAT	Member of Ms URPILAINEN's staff
Ms PREISING	Deputy Chef de cabinet to Mr SINKEVIČIUS

The following also sat in:

Mr SEIBERT	Chef de cabinet to the PRESIDENT	
Mr CALLEJA CRESPO	Director-General, Legal Service	
Ms AHRENKILDE HANSEN	Director-General, DG Communication	
Mr MAMER	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Ms PETKOVA	Director of Coordination and Administration in the PRESIDENT's Office	
Mr KRAFF	Director-General, Internal Audit Service	Items 1 to 8/9
Ms BUKA	Secretariat-General	

Secretary: Ms JUHANSONE, Secretary-General, assisted by Ms DEPREZ, Director in the Secretariat-General.

1. AGENDAS
(OJ(2022) 2421/FINAL; SEC(2022) 2421/FINAL)

The Commission took note of that day's agenda and of the tentative agendas for forthcoming meetings.

2. WEEKLY MEETING OF CHEFS DE CABINET
(RCC(2022) 2421)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Friday 3 June 2022.

3. APPROVAL OF THE MINUTES
(PV(2022) 2416; PV(2022) 2417)

The Commission approved the minutes of its 2416th and 2417th meetings of 3 and 11 May 2022, and held over approval of the minutes of its 2418th, 2419th and 2420th meetings of 18 and 25 May and 1 June 2022 for a later date.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2022) 133)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held by videoconference on Thursday 2 June 2022 (RCC(2022) 133).

The Commission approved the lines proposed for the following points:

– **Amendment of Regulation (EU) 2016/399 on a Union Code on the rules governing the movement of persons across borders (Regulation) –**

GUILLAUME report – 2021/0428 (COD)

Line set out in SI(2022) 191.

– **Non-paper on the overview of legal issues raised by the US request for access to Member State Databases under the new United States Visa Waiver Program requirements**

Line set out in SI(2022) 158/2.

– **Oral Question O-000018/2022 – A new trade instrument to ban products made by forced labour**

Line set out in SP(2022) 354.

– **Oral Question O-000020/2022 – Illegal logging in the EU**

Line set out in SP(2022) 355.

– **Resolution of the European Parliament under Article 225 of the Treaty on the Functioning of the European Union (TFEU) – Citizenship and residence by investment schemes – IN 'T VELD report – 2021/2026 (INL)**

Line set out in SP(2022) 339/2.

– **Resolution of the European Parliament under Article 225 of the Treaty on the Functioning of the European Union (TFEU) – Fair and simpler taxation supporting the recovery strategy (European Parliament follow-up to the Commission's July 2020 Action Plan and its 25 initiatives - VAT, business and individual taxation) – NIEDERMAYER report – 2020/2254 (INL)**

Line set out in SP(2022) 340/2.

– **Rules for the exercise of the Union's rights in the implementation and enforcement of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community and of the Trade and Cooperation**

Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part (Regulation) – KELLY report – 2022/0068 (COD)

Line set out in SI(2022) 190.

The Commission approved the line set out for the following point, for transmission to the European Parliament:

– **Commission replies to the non-legislative resolutions adopted by the European Parliament – Part-session of March II 2022 (Part I)**

  Line set out in SP(2022) 341/2.

The Commission took note of the following points:

– **'Fit for 55' – Amendment of Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757 (Directive) – LIESE report – 2021/0211 (COD)**

  Information set out in SP(2022) 327/2.

– **'Fit for 55' – Social Climate Fund (Regulation) – CASA & DE LANGE report – 2021/0206 (COD)**

  Information set out in SP(2022) 328/2.

– **'Fit for 55' – Amendment of Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement (Regulation) – POLFJÄRD report – 2021/0200 (COD)**

  Information set out in SP(2022) 329.

– **'Fit for 55' – Amendment of Regulation (EU) 2018/841 as regards the scope, simplifying the compliance rules, setting out the targets of the Member States for 2030 and committing to the collective achievement of climate neutrality by 2035 in the land use, forestry and agriculture sector, and Regulation (EU) 2018/1999 as regards improvement in monitoring, reporting, tracking of progress and review (Regulation) – NIINISTÖ report – 2021/0201 (COD)**

  Information set out in SP(2022) 330.

– **'Fit for 55' – Amendment of Regulation (EU) 2019/631 as regards strengthening the CO2 emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition (Regulation) – HUITEMA report – 2021/0197 (COD)**

  Information set out in SP(2022) 331/2.

– **'Fit for 55' – Amendment of Directive 2003/87/EC as regards aviation's contribution to the Union's economy-wide emission reduction target and appropriately implementing a global market-based measure (Directive) – GLAVAK report – 2021/0207 (COD)**

  Information set out in SP(2022) 332/2.

– **'Fit for 55' – Establishment of a carbon border adjustment mechanism (Regulation) – CHAHIM report – 2021/0214 (COD)**

  Information set out in SP(2022) 333/2.

– **Amendment of Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks, group and cross-border supervision (Directive) – FERBER report – 2021/0295 (COD)**

  Information set out in SI(2022) 187.

– **Question Time (Commission) – Reducing the use of pesticides and strengthening consumer protection**

Information set out in SP(2022) 353.

5. COORDINATION OF EXTERNAL ACTION (RCC(2022) 24)

The Commission took note of the operational conclusions in RCC(2022) 24 of the meeting of the Group for External Coordination (EXCO) held on Wednesday 1 June 2022.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2022) 227 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 30 May and 5 June 2022.

6.2. EMPOWERMENT (SEC(2022) 228 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 30 May and 5 June 2022.

6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2022) 229 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedures between 30 May and 5 June 2022 archived in D*e*cide.

6.4. SIGNIFICANT WRITTEN PROCEDURES (SEC(2022) 230 AND /2)

The Commission took note of the significant written procedures for which the time limit expired between 7 and 10 June 2022.

7. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2022) 231)

ADMINISTRATIVE MATTERS (PERS(2022) 33)

7.1. DG INTERNATIONAL PARTNERSHIPS – SECONDMENT OF AN AD14 OFFICIAL IN THE INTERESTS OF THE SERVICE, UNDER ARTICLES 37 AND 38 OF THE STAFF REGULATIONS

On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms URPILAINEN, the Commission decided to second in the interests of the service, under Articles 37 and 38 of the Staff Regulations, Ms Sandra KRAMER, an AD14 official and currently Director of the 'Africa' Directorate in DG International Partnerships, to the post of Head of the European Union Delegation to South Africa, at the European External Action Service, for a period of four years, which could be extended.

This decision would take effect on 1 September 2022.

7.2. DG RESEARCH AND INNOVATION – SECONDMENT OF AN AD15 OFFICIAL IN THE INTERESTS OF THE SERVICE, UNDER ARTICLES 37 AND 38 OF THE STAFF REGULATIONS

On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms GABRIEL, the Commission decided to second in the interests of the service, under Articles 37 and 38 of the Staff Regulations, Mr Jean-Eric PAQUET, an AD15 official and currently Director-General of DG Research and Innovation, to the post of Head of the European Union Delegation to Japan, at the European External Action Service, for a period of four years, which could be extended.

This decision would take effect on 1 September 2022.

7.3. DG INTERNATIONAL PARTNERSHIPS – APPOINTMENT OF AN AD14 DIRECTOR
(PERS(2021) 17 TO /4)

The Commission had before it applications under Article 29(1)(a)(i) and (iii), Article 29(1)(b) and Article 29(2) of the Staff Regulations for the post of Director of the 'Middle East, Asia and Pacific' Directorate in DG International Partnerships (PERS(2021) 17 and /2).

It took note of the opinions of the Consultative Committee on Appointments of 29 April and 12 May 2022 (PERS(2021) 17/3 and /4).

The Commission then examined the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr HAHN, in agreement with the PRESIDENT, and after consulting Ms URPILAINEN, it then decided to appoint Mr Peteris USTUBS to the post of Director of the 'Middle East, Asia and Pacific' Directorate in DG International Partnerships.

This decision would take effect on a date to be determined.

7.4. DG INTERNAL MARKET, INDUSTRY, ENTREPRENEURSHIP AND SMES – ADOPTION OF A LIST OF CANDIDATES FOR THE POST, AT GRADE AD14, OF EXECUTIVE DIRECTOR OF THE EUROPEAN CHEMICALS AGENCY IN HELSINKI (PERS(2022) 34 TO /3)

On a proposal from Mr HAHN, in agreement with the PRESIDENT, the Commission decided:

– to approve the list of two candidates, presented in alphabetical order, set out in point 4 of PERS(2022) 33, for the post of Executive Director of the European Chemicals Agency (ECHA) in Helsinki and to consider this list as the Commission proposal;

– to ask Mr BRETON, the Member of the Commission responsible, to communicate this decision to the Management Board of the European Chemicals Agency.

These decisions would take effect immediately.

8. REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS: ANNUAL MANAGEMENT AND PERFORMANCE REPORT FOR THE EU BUDGET – FINANCIAL YEAR 2021 (COM(2022) 401 AND /2; RCC(2022) 137)

9. STATEMENT OF ESTIMATES OF THE COMMISSION FOR 2023 – PREPARATION OF THE 2023 DRAFT BUDGET (SEC(2022) 250 AND /2; RCC(2022) 137)

The PRESIDENT asked Mr HAHN to present to the College – in the presence of the Commission's internal auditor, Mr Manfred KRAFF – the Commission's

Annual Management and Performance Report for the EU budget for the 2021 financial year and the 2023 draft EU budget.

In presenting the **2023 draft budget**, Mr HAHN noted that the response to the war in Ukraine had become a major new priority, as the EU had given support to Ukraine, neighbouring countries and Member States hosting refugees fleeing the war, which it would continue to do. The EU had so far taken 34 budgetary measures to support Ukraine and Moldova.

Budgetary needs were still evolving rapidly, which was why the Commission proposed to present an amending letter later in the year, including concrete, targeted measures to offset the external and internal effects of the war in Ukraine. This would provide the Commission with a more accurate assessment of needs and of how to prioritise the EU's limited financial resources.

At the same time, economic uncertainty was growing. In 2023 NextGenerationEU would continue to give a significant boost to economic recovery, with a particular focus on the green and digital transitions and, with REPowerEU, on energy sustainability.

Mr HAHN also noted that the previous two years had shown that the geopolitical and economic outlook could suddenly change dramatically. The EU budget had so far provided the necessary support in response to developments, but the possibilities were not endless, since the budget accounted for only around 1% of EU gross national income.

Addressing new priorities, high inflation and economic uncertainty meant it was necessary to make choices to concentrate EU resources in a limited number of areas where they were most needed and provided the most European added value.

Mr HAHN pointed out that the combined strength of the multiannual financial framework (MFF) and NextGenerationEU amounted to EUR 2 trillion in current prices over the period 2021-2027. Of that, EUR 300 billion would be available in 2023 to finance the EU's priorities and policies.

In 2023 the EU budget would contribute EUR 185.6 billion in commitment appropriations and EUR 166.3 billion in payment appropriations, and NextGenerationEU would enable commitments to be made of around EUR 113.9 billion in grants and an additional EUR 225.6 billion in loans.

Mr HAHN stressed that the financial response to some of the challenges would have to be adjusted later in the year, but the resources available for that purpose were very limited, with a margin of less than EUR 446 million left in the budget.

Beyond the different strands of funding linked to the war in Ukraine and its global consequences, there was the prospect of a significant increase in interest rates. It was unlikely that the funding of the NextGenerationEU line provided for in the MFF would be sufficient unless the situation improved, and a large part of the already very limited resources available from the following year's budget would therefore have to be set aside to deal with that contingency.

Mr HAHN reiterated that, since the resources available to cover additional needs were far from sufficient, the most effective way of financing them would have to be considered very carefully.

Lastly, he referred to the difficult situation under heading 7, stressing that very strict measures had been taken to limit the increase in the Commission's administrative expenditure to the absolute minimum necessary to comply with legal obligations and keep the number of Commission staff stable.

The situation was extremely challenging given the additional tasks that departments had to deliver on and the increasingly short timelines in which policy proposals were expected.

Mr HAHN added that adjustments had also been made to the requests of six other institutions in order to align the number of their posts with the stable staffing principle. The European Parliament remained the only EU institution which did not comply with the conditions, having requested an increase in posts for 2023.

Even with those strict measures, it was necessary to propose mobilisation of the Flexibility Instrument for the amount of EUR 62.5 million to cover the institutions' administrative expenditure. This would become a very sensitive issue during future negotiations with the budgetary authority.

If inflation remained high, the situation was likely to get worse in 2024 and beyond, potentially requiring painful budget cuts in resources if no additional funds were made available.

Mr HAHN concluded his presentation of the 2023 draft budget by referring to the next steps with a view to its scheduled adoption on 23 November 2022, assuming successful completion of the conciliation procedure by 14 November.

He then presented the **Commission's Annual Management and Performance Report for 2021** together with its annexes, which provided a comprehensive assessment of how the EU budget had performed.

Mr HAHN stressed that, in challenging times, the EU budget, supplemented by the NextGenerationEU recovery instrument, had continued to deliver for EU citizens, while complying with the highest standards of financial management.

The 2021-2027 performance framework would help the Commission to focus on effective budget implementation that delivered value for all EU citizens. Moreover, in line with the Commission's commitment to place a greater emphasis on results, a pilot methodology had been introduced to assess the EU budget's contribution to enhancing gender equality, and significant updates had been made to the methods used to track contributions to the climate and biodiversity.

The report underscored that emerging challenges, such as the Russian invasion of Ukraine, required tough political choices to be made on how to use EU budget funding and could have an impact on results if substantial amounts of funding had to be transferred to new priorities.

Mr HAHN said that, on the compliance side, the EU budget still had effective protection against irregular spending and fraud, including in the context of the pandemic. As a result of the checks introduced, the risk of error at the time of payment to partners and beneficiaries was estimated at 1.9% of overall expenditure, i.e. below the materiality threshold of 2% applied by the Court of Auditors. Efforts needed to continue to further reduce the risks and address their root causes.

Lastly, the number of reservations had fallen from 19 to 16 for 2021, with a total financial impact of less than EUR 1 billion.

Mr HAHN referred to the need to ensure that every euro in the EU budget was used in the best possible way, including by reallocating and reprioritising when unexpected challenges arose.

He pointed out that there were limits to what could be achieved with the current MFF and that much of the existing flexibility in the EU budget had already been used. That left very little room for manoeuvre to respond effectively to new challenges, let alone any new future crises.

Mr HAHN concluded his presentation by drawing the College's attention to the need to consider ways of ensuring that the EU budget was sufficiently equipped to respond to political priorities.

The PRESIDENT highlighted the fact that the European Commission's workforce, comprising around 30 000 members of staff, was very small for a total EU population of about 450 million. She said that the human resources currently available did not cover requirements. She regretted the fact that the Commission had such limited capacity to respond to all the challenges facing the EU and felt it was crucial to take steps to improve the situation and robustly defend the European civil service.

In the course of the brief discussion that followed, the Commission raised the following main points:

– the main conclusions of the Annual Report of the Audit Progress Committee, which expressed its satisfaction with regard to the Commission's internal auditing work and the high rate of implementation of the internal audit recommendations;

– the clearance of the Commission's accounts by the European Court of Auditors for the fourteenth consecutive year;

– the European Court of Auditors' greater involvement in the work of the Audit Progress Committee;

– satisfaction with regard to Mr Manfred KRAFF, the Commission's internal auditor, for his efforts to strengthen financial accountability within the Commission.

Following this exchange of views, the Commission:

– approved the Annual Management and Performance Report for the EU Budget 2021 in COM(2022) 401/2, for transmission to the European Parliament, the Council and the European Court of Auditors, and, for information, to the national parliaments, indicating a link giving access to all the annual activity reports (https://ec.europa.eu/info/publications/annual-activity-reports_en);

– took note of the fact that each Member of the Commission had been made aware of the Annual Activity Report and of the declaration presented by their Director(s)-General or Head(s) of Service, and that a reference to this dialogue was specifically mentioned in each Annual Activity Report;

– took note of the fact that the declarations of assurance contained in the Annual Activity Reports did not cover the Members' private offices and their expenditure;

- authorised Mr HAHN, the Member of the Commission with responsibility for the Budget and Human Resources, to present the report to the discharge authority;

- took note of the supporting documents circulated by secure e-mail on 30 May 2022, namely (i) the Annual Report of the Audit Progress Committee for the period from June 2021-May 2022, distributed as SEC(2022) 401, (ii) the annual report on the internal audit for 2021, distributed as a meeting document under Ares(2022) 3833615, and (iii) the general opinion of the internal auditor for 2021 and the related working document;

- adopted the Commission's statement of estimates for the 2023 financial year as set out in documents I, II, III, IV and V, distributed as SEC(2022) 250 and /2, as a basis for drawing up the draft general budget of the European Union for the 2023 financial year;

- authorised Mr HAHN, the Member of the Commission with responsibility for the budget and human resources, to send documents I, II, III and IV to the European Parliament and the Council, for information;

- empowered Mr HAHN, the Member of the Commission with responsibility for the budget and human resources, in agreement with the PRESIDENT, to convert documents I, II, III and IV into the corresponding volumes of the draft general budget for the 2023 financial year;

- empowered Mr HAHN, the Member of the Commission with responsibility for the budget and human resources, in agreement with the PRESIDENT, and in accordance with Article 314(1) of the Treaty on the Functioning of the European Union, to consolidate the draft general budget for the 2023 financial year on the basis of the latest information supplied by the other institutions concerning their own statements of estimates, which might contain different estimates, for transmission to the European Parliament and the Council and, for information, to the national parliaments.

10. OTHER BUSINESS

10.1. COMMISSION RESPONSE TO A EUROPEAN PARLIAMENT RESOLUTION PURSUANT TO ARTICLE 225 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION (TFEU) – CITIZENSHIP AND RESIDENCY BY INVESTMENT SCHEMES (SP(2022) 339)

With regard to citizenship and residency by investment schemes, Mr REYNDERS noted that the European Parliament had asked the Commission to put forward legislative and non-legislative measures in this area. The abolition of schemes for citizenship by investment was an objective shared by the Commission, which had already opened infringement proceedings against Malta and Cyprus and had contacted Bulgaria about its programmes. Cyprus and Bulgaria had decided to terminate their programmes, and Malta had suspended its scheme for Russian and Belarusian nationals but had retained it for citizens of other countries. The Commission had therefore sent a reasoned opinion to Malta on this matter, for which the deadline for responding was imminent.

In its recommendation regarding such schemes aimed at Russian and Belarusian nationals subject to restrictive measures on the part of the EU, the Commission asked the Member States immediately to repeal the existing citizenship schemes and to review the naturalisation of the persons concerned.

With regard to schemes for residency by investment, Ms JOHANSSON noted that the recent proposal to revise the Directive concerning third-country nationals who are long-term residents represented a significant tightening of the rules.

In particular this proposal included rules to prevent third-country nationals wrongfully acquiring long-term EU resident status on the basis of an investment. It also proposed including a provision to strengthen checks on the residence requirement, in particular for applications for long-term EU resident status submitted by investors.

In this context, third-country nationals who obtained a residence permit in a Member State in exchange for investments but did not actually reside in that Member State and showed no intention of integrating there should not be able to obtain a long-term EU residence permit.

For this reason the proposal excluded holders of a residence permit issued on the basis of any form of investment from combining periods of residence in different Member States in order to fulfil the five-year residence criterion.

This safeguard was introduced with the aim of limiting the attractiveness of such schemes; security checks would also be strengthened in order to ensure that the conditions of residence in a Member State required for the granting of long-term resident status were fulfilled.

Ms JOHANSSON expected these legislative changes to be welcomed by the European Parliament, in so far as they directly addressed the concerns raised in the Resolution.

She also informed the College of the work begun on the soft-law measures to be implemented. In particular, the Commission had adopted on 28 March 2022 a Recommendation inviting Member States to immediately repeal any existing investor citizenship schemes and to ensure strong checks are in place to address the risks posed by investor residence schemes, including for Russian and Belarusian nationals who might have acquired EU citizenship or privileged access to the EU under these schemes. The implementation of this Recommendation was currently being implemented and monitored, with 10 Member States having reported to date.

In addition, the European Parliament would be informed that a meeting with the Group of Member States' experts on citizenship and residence schemes was being organised for 23 June 2022 in order to discuss investor residence schemes specifically. This meeting would be an opportunity for exchanges on the state of play since the Commission's 2019 report, on the risks inherent to schemes for granting citizenship and residence in return for investment, and on how the Member States were tackling them. On this basis, a more in-depth assessment of the scope for further action at EU level would be made.

The Commission took note of this information.

10.2. COMMISSION RESPONSE TO A EUROPEAN PARLIAMENT RESOLUTION PURSUANT TO ARTICLE 225 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION (TFEU) – FAIR AND SIMPLER TAXATION SUPPORTING THE RECOVERY STRATEGY (EUROPEAN PARLIAMENT FOLLOW-UP TO THE COMMISSION'S JULY 2020 ACTION PLAN AND ITS 25 INITIATIVES IN THE AREA OF VAT, BUSINESS AND INDIVIDUAL TAXATION) (SP(2022) 340 AND /2)

The PRESIDENT asked Mr DOMBROVSKIS to present the Commission's response to the European Parliament's resolution, pursuant to Article 225 of the Treaty on the Functioning of the European Union (TFEU), on Fair and Simpler Taxation Supporting the Recovery Strategy.

Mr DOMBROVSKIS considered that the resolution passed by the European Parliament at its March 2022 plenary session was a follow-up to, an endorsement of and an encouragement for the initiatives laid down in the Tax Action Plan adopted by the Commission in July 2020.

The resolution set forth recommendations to the Commission, *inter alia*, on: (i) the simplification and reduction of compliance costs for taxpayers, (ii) increasing tax certainty for taxpayers and Member States' tax administrations, (iii) the reduction of the tax gap, (iv) the creation of a new coordinated European corporate income tax system, usually referred to as 'Business in Europe: Framework for Income Taxation' (BEFIT) and (v) the effectiveness of tax administrations, the exchange of tax information and the quality of data.

Mr DOMBROVSKIS observed that the Commission was already taking action on the great majority of the recommendations. He pointed out that tax fairness was a policy priority that the Commission was pursuing, notably by sparing no effort in the implementation of the two pillars of the tax deal devised by the Organisation for Economic Co-operation and Development (OECD). This was in addition to other initiatives by the Commission, *inter alia* the one addressing the use of shell companies, adopted in December 2021.

In May, the Commission had proposed the Debt Equity Bias Reduction Allowance (DEBRA), which was based on a thorough impact analysis and included a robust anti-avoidance framework to ensure that no misuse was made of the allowance for tax purposes.

To simplify compliance for taxpayers and combat value-added tax (VAT) fraud, the Commission was preparing the 'VAT in the Digital Age' initiative for the second half of the year. In this regard, he explained that VAT fraud was a major issue, resulting in the loss of EUR 134 billion of VAT revenues for Member States in 2019. Although combating VAT fraud was a national competence, he argued that the Commission had to do everything it could to support Member States, including through new electronic systems to identify cross-border fraud and reduce the VAT gap.

He further noted that the Commission had already engaged in initial consultations with business and academia to prepare the BEFIT proposal, the main goal of which was to set up a new corporate income tax system to ensure that taxes were paid where the real economic activity of undertakings actually took place and to reduce the administrative burden for businesses.

According to Mr DOMBROVSKIS, these were a few examples of the how the Commission's work addressed the European Parliament's recommendations and he hoped to be able to count on the support of the European Parliament in implementing them. Consequently, he suggested that, in the letter of reply to be signed by Mr ŠEFČOVIČ, the Commission should welcome the European Parliament's recommendations and express its willingness to work hand-in-hand with the European Parliament to act on the policy priorities of tax fairness and simplification.

The Commission took note of this information.

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The meeting closed at 13.48.