

# Europe's Moment: Repair and Prepare for the Next Generation

Communication from the European Commission

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**wts** global

## Main features

### What

- » Proposal by the European Commission in the context of the COVID-19 crisis, for a recovery instrument, “Next Generation EU” of €750 billion, which together with targeted reinforcements to the long-term EU budget for 2021-2027 will bring the total financial firepower of the EU budget to €1.85 trillion.

### Why

- » To protect lives and livelihoods, support the urgent investments, in particular in the green and digital transitions, repair the Single Market, as well as to build a sustainable and inclusive recovery for all Member States.

### How

- » Temporarily lifting the own resources ceiling to 2.00% of EU Gross National Income and borrowing €750 billion on the financial markets.
- » This additional funding will be channeled through EU programs and repaid throughout future EU budgets (2028-2058). The Commission proposes a number of new own resources and to amend the current multiannual financial framework 2014-2020 to make an additional €11.5 billion in funding available already in 2020.

### When

- » Subject to a political agreement at the European Council, and after further work by the European Commission together with the European Parliament and the Council, the new long-term budget could be applicable as from 1<sup>st</sup> January 2021.

## Background

- » As a consequence of the COVID-19 pandemic, the EU economy is expected to shrink by more than 7% in 2020 and unemployment would rise to 9%. The crisis has also widened the divergences between Member States. The recession average is between 6-7.5% but it could be close to 10% for some countries. The economy is not expected to return to growth until 2021.

### The European Recovery Plan

- » To help repair the economic and social damage brought by the coronavirus pandemic, kick-start European recovery, and protect and create jobs, the European Commission is proposing a major recovery plan for Europe based on harnessing the full potential of the EU budget.
- » To mobilize the necessary investments, the Commission is putting forward a two-fold response:
  - › “**Next Generation EU**”, recovery instrument of €750 billion
  - › **Revamped EU budget** amounting to €1,100 billion between 2021-2027

In total, this **European Recovery Plan** will put €1.85 trillion to help kick-start Europe's economy



# The Next Generation EU

## Sources

- » Lifting of the own resources ceiling to 2% of EU Gross national income.
- » Borrowing of €750 billion on the financial markets.
- » The funds raised will need to be repaid through future EU budgets (between 2028 and 2058) - through new own resources based on:
  - › Emissions Trading Scheme
  - › Carbon Border Adjustment Mechanism
  - › Operation of large companies
  - › New digital tax (OECD)and other own resources:
  - › Simplified VAT
  - › Non-recycled plastics

## Spending

- » Strengthening of programmes, through €500 billion in grants and €250 billion in loans to Member States – three pillars of spending:
  1. Support to Member States with investments and reforms to address the crisis, and support to the green transition
  2. Kick-starting the EU economy by incentivizing private investments
  3. Addressing the lessons of the crisis: EU4Health program for prevention and crisis preparedness, and support of our global partners by strengthening the Humanitarian Aid Instrument.
- » Strengthening of other programmes in the EU budget, including programmes supporting cooperation on tax and customs, among others.

## Policy fundamentals

### The European Green Deal: the EU's growth strategy

- » A massive renovation wave of buildings and infrastructure and a more circular economy, bringing local jobs;
- » Rolling out of renewable energy projects, especially wind, solar and kick-starting a clean hydrogen economy in Europe;
- » Cleaner transport and logistics, including the installation of one million charging points for electric vehicles and a boost for rail travel and clean mobility in our cities and regions;
- » Strengthening of the Just Transition Fund to support re-skilling, helping businesses create new economic opportunities.

### A deeper and more digital single market

- » Investing in more and better connectivity, especially in the rapid deployment of 5G networks;
- » A stronger industrial and technological presence in strategic sectors, including artificial intelligence, cybersecurity, supercomputing and cloud;
- » Building a real data economy as a motor for innovation and job creation;
- » Increased cyber resilience.



### A fair and inclusive recovery

- » The short-term European Unemployment Reinsurance Scheme (SURE) will provide €100 billion to support workers and businesses;
- » Digital skills for all EU citizens to be ensured through a Skills Agenda for Europe and a Digital Education Action Plan;
- » Fair minimum wages and binding pay transparency measures to help vulnerable workers, particularly women;
- » Stepping up of the European Commission's fight against tax evasion, which will help Member States generate revenue.

## Building a more resilient EU

### Enhanced strategic autonomy and reinforced screening of foreign direct investment

- › Reduce dependency and strengthen security of supply, notably for pharmaceutical ingredients or raw materials
- › Incentivise European industrial and business leadership in key ecosystems like twin green and digital transition
- › New pharmaceutical strategy
- › New investments in the transition to climate-neutrality
- › Trade Policy Review
- › Reinforce the Foreign Direct Investment screening mechanism

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### Enhanced crisis management and stronger coordination on public health

- › Reinforce the European Medicines Agency
- › Give a stronger role to the European Centre for Disease Control (ECDC) in coordinating medical responses in crises
- › To build up capacity and preparedness for future health crises with the support of the EU4Health programme
- › Reinforce Horizon Europe to support research and innovation in the health field through



## Last but not least...



- » **The recovery must unequivocally be based on EU values, fundamental rights and full respect of the rule of law**
  - › Any emergency measure must be limited in time and be strictly proportionate. This will be assessed in the Commission's Annual Rule of Law Report
  - › The European Commission will address the most immediate disinformation challenges of the pandemic and will also use the European Democracy Action Plan to draw the lessons and build resilience for the future
  - › The **Conference on the Future of Europe** will play an important role in further strengthening Europe's democratic foundations in the post-coronavirus crisis world



- » **Towards a responsible global leadership**
  - › The EU is committed in leading international efforts towards a truly global recovery, notably through joint coordination with other international players
  - › Global challenges require international cooperation and common solutions

## Additional information

More on the European Commission's proposal:

- » [Website for the Commission Work Programme 2020](#)
- » [The EU budget powering the Recovery Plan for Europe](#)
- » [Key instruments supporting the Recovery Plan for Europe](#)
- » [Financing the Recovery Plan for Europe](#)
- » [Website on the Commission's coronavirus response](#)

WTS Global resources:

- » [Managing the impacts of COVID-19 –Global updates](#)

*“The recovery plan turns the immense challenge we face into an opportunity, not only by supporting the recovery but also by investing in our future [...] This is Europe's moment. Our willingness to act must live up to the challenges we are all facing. With Next Generation EU we are providing an ambitious answer.”*

**Ursula von der Leyen**, European  
Commission President

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