Reform of the European Union’s system of own resources

2017/2053(INI) - 26/02/2018 - Committee report tabled for plenary, single reading

The Committee on Budgets adopted an own-initiative report by co-rapporteurs Gérard DEPREZ (ADLE, BE) and Janusz LEWANDOWSKI (EPP, PL) on reform of the European Union’s system of own resources.

Members favoured the creation of **a new transparent, simpler and fairer system of own resources,** based on elements of the current system when they have proved their effectiveness, in order to provide stable finances at Union level. In this context, they stressed the need to **link revenues to policy objectives** , in particular to the single market, the energy union, and the environment, climate and transport policies.

Principles governing the setting-up of a new own resources system: Members considered that the reform of the system of own resources could be achieved **through a two-step approach:** (i) first, by introducing less technically complex own resources whose collection is easily manageable at a reasonable cost, and then (ii), by gradually introducing each additional new own resource, on the basis of a fixed timetable until all have reached cruising speed.

The introduction of new own resources should have a dual purpose:

1. **to bring about a substantial reduction (aiming at 40 %) in the proportion of GNI-based contributions,** thus creating savings for Member State budgets; and

2. **to enable the financing of an higher level of EU spending under the post-2020 MFF**, including covering the gap resulting from the withdrawal of the United Kingdom.

Members recommended:

- **the abolition of all rebates and corrections**, while ensuring fair treatment between Member States;
- **retaining traditional own resources**, namely customs duties, agricultural duties and the sugar and isoglucose levies, as a source of revenue for the EU budget;
- **maintaining the contribution based on GNI** but only as a residual and balancing resource for the Union budget, which would put an end to the budgetary logic of "fair return".

Basket of possible new own resources: the Commission is invited to examine the introduction of new own resources based on:

- **a revised value-added tax (VAT)**: Members favour setting up a **uniform levy rate** (1% to 2%) on revenue from the reformed VAT collected entirely by Member State administrations as a Union own resource. the Commission was asked, pending the adoption of the relevant VAT legislation, to present a proposal for a reformed own resource based on VAT as part of its upcoming legislative package on EU own resources;
- **a share of corporate tax**: Members share the analysis of the High Level Group on Own Resources that a **Common Consolidated Corporate Tax Base** (CCCTB) can serve as a basis for a new own resource . They asked the Commission to propose the creation of a new own resource for the Union budget, to be calculated on the basis of Member States’ revenue generated from the CCCTB. They were in favour of setting a uniform levy rate on the revenue from the CCCTB, to be collected as an own resource;

- **a financial transaction tax (FTT) at European level**: Members encouraged the efforts undertaken under enhanced cooperation by a group of 11 Member States with a view to establishing financial transaction tax (FTT), following the 2011 Commission proposal. They called, therefore, for the creation of a new own resource for the Union budget, to be calculated on the basis of a chosen method of taxation of financial activities;
- **taxation of companies in the digital sector**: the committee called, in principle, for the creation of a new own resource for the Union budget to be levied on transactions in the digital economy, even if it is too early to decide on the exact arrangements for the establishment of such a resource. It believed, nevertheless, that any arrangements made by the EU authorities, such as registration or monitoring systems or regulatory mechanisms, should immediately permit the collection of duties or levies for the benefit of the Union budget on the basis of their European added value;
- **environmental tax and levies**: stressing the need to encourage energy transition and the fight against global warming, Members emphasised the importance of green taxation as a particularly suitable mechanism for contributing to the Union's own resources. The Commission was invited to further incorporate the proposals for additional ecological own resources, which are in line with certain Union policies such as those on energy (energy tax), environment and climate (carbon border adjustment mechanism, plastic tax and the Emissions Trading Scheme (ETS)) and transport (road fuel and air ticket taxes), in order to promote additional future Union own resources.

The report called for a significant share of **auctioning revenues of the emissions trading scheme** (ETS-EU) allowances from Phase 4 (2021) onwards to be considered as a new EU own resource. It invites the Commission to consider the introduction at **EU level of a levy on plastic** and single-use items, with a view to encouraging the use of more sustainable alternatives.