Reform of the European Union’s system of own resources

2017/2053(INI) - 14/03/2018 - Text adopted by Parliament, single reading

The European Parliament adopted by 442 votes to 166, with 88 abstentions, a resolution on reform of the European Union’s system of own resources.

Parliament called for the future multi-annual framework policy (MFF) proposed by the Commission to include **ambitious proposals to revise the Own Resources Decision**. It underlined that both the expenditure and the revenue side of the next MFF will be treated as a single package in the upcoming negotiations between the Council and Parliament. It stated that no agreement will be reached on the MFF without corresponding headway being made on own resources.

Parliament 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, it 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, focusing on policies with European added value.

Principles governing the setting-up of a new own resources system: underlining that new own resources cannot all be introduced at the same time, Members proposed to reform of the system of own resources through a **two-step approach**:

- by introducing less technically complex own resources whose collection is easily manageable at a reasonable cost;
- 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 a higher level of EU spending under the post-2020 MFF, including covering the gap resulting from the withdrawal of the United Kingdom. The new own resources do not aim to increase the overall fiscal burden for the EU taxpayer, who should not be affected by the introduction of new own resources.

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 introduction of new own resources should serve three purposes:

1. consolidate the single market, increase its transparency and improve the level playing field;

2. reduce financial speculation and strengthen tax fairness in sectors that use aggressive tax planning instruments or aggressive tax optimisation;

3. promote the energy transition and the fight against global warming.

Parliament invited the Commission to examine the introduction of new own resources based on:

- A revised value-added tax (VAT): this resource currently represents around 12 % of EU revenue. However, that the current system has serious shortcomings: the resource is calculated on a statistical basis; it is unnecessarily complex and has no direct link to the citizens.

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. Such a proposal should take account of the main outcomes of the VAT reform currently under discussion.

- 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**: Members 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. They 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: 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.

Parliament 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 invited 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.

Other sources of revenue: Parliament reiterated its position that any revenue resulting from fines imposed on companies for breaching EU competition law or linked to late payments of national contributions to the EU budget should constitute extra revenue for the EU budget without entailing a corresponding reduction in GNI contributions.

Members called for the creation of a **special reserve** in the EU budget which will be progressively filled up by all types of unforeseen other revenue and duly carried over in order to provide additional spending possibilities when needs arise. They considered that this reserve should be earmarked for the MFF special instruments.