

Future of the European Union's own resources

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The committee adopted the own-initiative report drawn up by Alain LAMASSOURE (EPP-ED, FR) on the future of the European Union's own resources. It outlined the shortcomings of the current financing system, with its four different resources and different rebate mechanisms, which it said was "excessively complex, lacks transparency and is utterly incomprehensible to European citizens". MEPs added that the system did not provide the EU with sufficient funds for all its policies and that it needed overall reform. They acknowledged that this would be "a difficult and sensitive exercise", and therefore called for a progressive approach which could be introduced in two stages.

The first, transitional, phase would lead to an improvement of the current system of national contributions and would be based on four principles: equality between Member States (i.e. the absence of any budgetary privilege for any Member State); simplicity of presentation for elected representatives and citizens alike, so that the system is comprehensible and transparent; solidarity and equal dignity amongst Member States; and a political link between a reform of revenue and a review of expenditure. Rejecting categorically any reform proposal excluding structural and cohesion expenditure from all computations for the purpose of establishing Member States' contributions or rebates on these contributions, MEPs welcomed the proposal put forward by Finland in April 2004 on replacing the current system, while leaving in place traditional own resources, by a GNI-based system, taking GNI shares as the basis for the Member States' contributions towards the Union's own resources, abolishing the VAT resource in its current form and progressively suppressing the British rebate to zero by 2013. The committee considered this system simple, transparent and a possible step towards the establishment of a genuine own resources system for the Union. MEPs also rejected any attempt to renationalise the Common Agricultural Policy and therefore proposed to use the possibility of gradually introducing the compulsory co-financing process within the EU-15 in order to guarantee the level of support laid down in the European Council decision of October 2002.

The second stage of the reform would be aimed at creating a genuine own resource for the EU. The report stressed that this should be based on the following principles: full respect for the fiscal sovereignty of the Member States (which might nevertheless authorise the Union, for a limited period revocable at any time, to benefit directly from certain share of a tax); fiscal neutrality; no changes to the order of magnitude of the EU budget; progressive phasing-in of the new system (starting in 2014); and establishment of a clear political link between a reform of revenue and reform of expenditure. MEPs underlined that the new system must not increase overall public expenditure nor the tax burden for citizens. Should the new system directly allocate a tax, "visible for all citizens", partly or in full, to the Union, an equivalent reduction would have to be made elsewhere. The committee concluded by stating that "the time for a genuine new European tax has not yet come", although the Member States could decide to grant the EU such a tax in future. However, the new financing system should be based on a tax already levied in the Member States, to be fed directly into the EU budget as a genuine own resource. Among the taxes envisaged for this purpose were VAT, taxes on corporate profits, excise duties on motor fuel for road transport and other energy taxes, and excise duties on tobacco and alcohol. Other possible avenues which had been explored in discussions within Parliament included taxes on share trading, on financial transactions (Tobin tax) or on savings.