

Basic information	
2018/0135(CNS)	Procedure completed
CNS - Consultation procedure	
Decision	
System of own resources of the European Union	
Repealing Decision 2014/335/EU, Euratom 2011/0183(CNS)	
Subject	
8.70.01 Financing of the budget, own resources	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	BUDG Budgets	FERNANDES José Manuel (EPP) HAYER Valérie (Renew)	10/10/2019 10/10/2019
		Shadow rapporteur GUALMINI Elisabetta (S&D) CORMAND David (Greens /EFA) ZILE Roberts (ECR) LAPORTE Hélène (ID) OMARJEE Younous (GUE /NGL) PAPADIMOULIS Dimitrios (GUE/NGL)	
Former committee responsible		Former rapporteur	Appointed
BUDG Budgets			
Committee for opinion		Rapporteur for opinion	Appointed
INTA International Trade		The committee decided not to give an opinion.	
CONT Budgetary Control		HOHLMEIER Monika (EPP)	06/07/2020

ECON	Economic and Monetary Affairs	The committee decided not to give an opinion.	
ENVI	Environment, Public Health and Food Safety	DE LANGE Esther (EPP)	09/09/2019
AGRI	Agriculture and Rural Development	The committee decided not to give an opinion.	
AFCO	Constitutional Affairs	GOZI Sandro (Renew)	07/07/2020

Former committee for opinion	Former rapporteur for opinion	Appointed
INTA International Trade		
CONT Budgetary Control		
ECON Economic and Monetary Affairs		
ENVI Environment, Public Health and Food Safety		
AGRI Agriculture and Rural Development		
AFCO Constitutional Affairs		

Council of the European Union			
European Commission	Commission DG	Commissioner	
	Secretariat-General	OETTINGER Günther	

Key events			
Date	Event	Reference	Summary
02/05/2018	Initial legislative proposal published	COM(2018)0325 	
31/05/2018	Committee referral announced in Parliament		
21/10/2019	Committee referral announced in Parliament		
30/07/2020	Legislative proposal published	10025/2020	

01/09/2020	Vote in committee		
03/09/2020	Committee report tabled for plenary, 1st reading/single reading	A9-0146/2020	
14/09/2020	Debate in Parliament		
16/09/2020	Decision by Parliament	T9-0220/2020	Summary
16/09/2020	Results of vote in Parliament		
15/12/2020	Act adopted by Council after consultation of Parliament		
15/12/2020	Final act published in Official Journal		

Technical information	
Procedure reference	2018/0135(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Repealing Decision 2014/335/EU, Euratom 2011/0183(CNS)
Legal basis	Euratom Treaty A 106a-pa Treaty on the Functioning of the EU TFEU 311 -a3
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/9/00292

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE653.866	09/07/2020	
Specific opinion	ENVI	PE653.878	17/07/2020	
Amendments tabled in committee		PE655.682	20/07/2020	
Specific opinion	CONT	PE655.894	12/08/2020	
Specific opinion	AFCO	PE655.594	28/08/2020	
Committee report tabled for plenary, 1st reading/single reading		A9-0146/2020	03/09/2020	
Text adopted by Parliament, 1st reading/single reading		T9-0220/2020	16/09/2020	Summary
Council of the EU				
Document type		Reference	Date	Summary
Legislative proposal		10025/2020	30/07/2020	
European Commission				

Document type	Reference	Date	Summary
Initial legislative proposal	COM(2018)0325 	02/05/2018	Summary
Document attached to the procedure	SWD(2018)0172 	03/05/2018	
Supplementary legislative basic document	COM(2020)0445 	28/05/2020	Summary
Commission response to text adopted in plenary	SP(2020)455	15/10/2020	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	CZ_CHAMBER	COM(2018)0325	26/06/2018	
Contribution	PT_PARLIAMENT	COM(2018)0325	03/07/2018	
Reasoned opinion	SE_PARLIAMENT	PE623.873	13/09/2018	
Contribution	DE_BUNDES RAT	COM(2018)0325	04/10/2018	
Contribution	CZ_SENATE	COM(2018)0325	24/10/2018	
Contribution	IT_CHAMBER	COM(2018)0325	30/04/2020	
Contribution	ES_PARLIAMENT	COM(2020)0445	02/07/2020	
Contribution	PT_PARLIAMENT	COM(2020)0445	23/07/2020	
Contribution	CZ_SENATE	COM(2020)0445	28/07/2020	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofR	Committee of the Regions: opinion	CDR2389/2018	09/10/2018	
CofA	Court of Auditors: opinion, report	N8-0011/2019 OJ C 431 29.11.2018, p. 0001	09/10/2018	Summary
EESC	Economic and Social Committee: opinion, report	CES2886/2020	15/07/2020	

Additional information

Source	Document	Date
EP Research Service	Briefing	06/10/2020

Final act

System of own resources of the European Union

2018/0135(CNS) - 28/05/2020

The European Commission has presented an amended proposal for a Council Decision on the system of the European Union's own resources in view of the need for a comprehensive, bold and sustained response to the challenges posed by the COVID-19 outbreak.

BACKGROUND: the COVID-19 pandemic constitutes a widespread and severe public health crisis with profound implications for citizens, societies and economies around the world. It poses major and unprecedented challenges to the economic and financial systems of Member States.

According to the Commission's spring economic forecasts, the EU GDP is forecast to contract by about 7.5 % this year, far deeper than during the global financial crisis in 2009, and to rebound by only 6% in 2021 while the EU unemployment rate is set to rise to 9% in 2020, with a risk of rising poverty and inequality.

In response to this emergency situation, Member States have adopted exceptional financial measures which have a considerable impact on their public finances. However, as its effects are not symmetrical across Member States, the crisis risks widening disparities within the Union and could result in lasting damage to the EU's economic tissue unless it is met with a commensurate short and medium term policy response at the level of the Union.

The Union has acted swiftly to provide a powerful and coordinated collective response to the social and economic consequences of the crisis, within the limits of the current multiannual financial framework which expires in 2020. However, financial resources on an exceptional scale are needed to address the consequences of the COVID-19 crisis without increasing the pressure on Member States' finances.

The Commission therefore considers it urgent to provide additional financial capacity immediately available to support recovery and resilience throughout the Union.

CONTENT: the Commission's amended proposal aims to allow the mobilisation of part of the funds needed to support the recovery through borrowing on capital markets. These borrowings would be repaid when the Union returns to a positive growth path.

Empowerment of the Commission to borrow funds on capital markets

Under the amended proposal, the Commission shall be empowered, on an exceptional basis, to temporarily borrow on behalf of the Union up to a maximum of **EUR 750 billion** on the capital markets at 2018 prices. This amount shall be used only for expenditure up to EUR 500 billion and for loans up to EUR 250 billion to address the consequences of the COVID-19 crisis.

The proceeds of the borrowing operations shall be allocated to the European Union Instrument for Recovery. This instrument shall make it possible to finance the various policies covered by the EU Recovery Plan. The support shall be limited in duration and the bulk of the funding shall be provided immediately after the pandemic.

Repayment of funds borrowed to provide non-repayable support shall be financed from the EU budget. Borrowed funds that are provided as loans to Member States shall be repaid from sums received from the beneficiary Member States.

The EU budget shall start making the required repayments of the funds borrowed on capital markets from 2028 onwards. All liabilities of the Unions incurred by the proposed act shall be **fully repaid by 2058**. The repayment shall be organised according to the principle of sound financial management with a view to achieving a steady and predictable reduction of liabilities during the overall period.

Repayments to be made by the budget should start in 2028, while all liabilities incurred by this exceptional and temporary empowerment to borrow funds should be fully repaid by 31 December 2058.

The amounts due by the Union in a given year for the repayment of the principal shall not exceed 7.5% of the maximum amount borrowed for expenditure.

Raising the own resources ceilings

In order to preserve a sufficient margin under the Own Resources Decision ceilings for the Union to cover all of its financial obligations and contingent liabilities falling due in any given year, the Own Resources Decision ceiling should be increased to a level of 1,40 % of the sum of the Member States' Gross National Income at market prices for appropriations for payments and of 1,46 % for the appropriations for commitments.

In addition, the ceilings of the own resources decision should be adjusted upwards, on a temporary basis, by 0.6 percentage points. This additional allocation may only be used to meet financial obligations and contingent liabilities arising from the exceptional and temporary empowerment to borrow funds.

System of own resources of the European Union

2018/0135(CNS) - 16/09/2020 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 455 votes to 146, with 88 abstentions, under a special legislative procedure (consultation), a legislative resolution on the draft Council decision on the system of own resources of the European Union.

Parliament approved the Council's draft subject to the following amendments:

Introduction of new own resources

Parliament recalled that the new Own Resources Decision shall be the legal basis for allowing the borrowing of funds on the financial markets to finance the Next Generation EU recovery instrument. In order to increase the credibility and sustainability of the repayment plan, the costs related to the recovery plan shall be fully covered by revenue from genuine new own resources.

According to Members, the new own resources shall cover at least the costs related to the recovery plan. It should also ensure an adequate level of financing of EU expenditure under the multi-annual financial framework (MFF) while mitigating the predominance of GNI-based contributions.

Parliament insisted that the new own resources categories shall be in place from 2021. They should be aligned with the EU's strategic objectives and support the European Green Deal, the functioning of the single market and efforts to improve the efficiency of the corporate tax system and to strengthen the fight against fraud and tax evasion.

Categories of own resources

Parliament considered it necessary to introduce new categories of own resources from:

- the application, as from 1 January 2021, of a uniform call rate to the weight of non-recycled plastic packaging waste; the actual call rate shall not exceed EUR 2.00 per kilogram;
- the application, from 1 January 2021, of a uniform call rate to the amount representing the revenue generated by the allowances to be auctioned referred to in Directive 2003/87/EC establishing the scheme for greenhouse gas emission allowance trading within the European Union (EU ETS);
- revenues generated by a border carbon adjustment mechanism by 1 January 2023 at the latest;
- revenues from the digital services tax by 1 January 2023 at the latest; the actual call rate shall not exceed 100%;
- the application, as from 1 January 2026, of a uniform call rate to the share of taxable profits attributed to each Member State in accordance with the EU rules on the common consolidated corporate tax base; the actual call rate shall not exceed 6%;
- the application, as from 1 January 2024, of a financial transaction tax.

No Member State shall benefit from a rebate or correction.

Binding calendar

By 1 January 2021 at the latest, the European Parliament and the Council, in cooperation with the Commission, shall lay down in an Interinstitutional Agreement the detailed arrangements and provisions necessary for the application of a legally binding timetable for the introduction of new own resources. The Commission shall present appropriate legislative proposals to this end.

In particular, the mid-term review of the MFF 2021-2027 shall be used to adapt and, if necessary, adopt new legislation to achieve these objectives.

System of own resources of the European Union

2018/0135(CNS) - 28/05/2020 - Supplementary legislative basic document

The European Commission has presented an amended proposal for a Council Decision on the system of the European Union's own resources in view of the need for a comprehensive, bold and sustained response to the challenges posed by the COVID-19 outbreak.

BACKGROUND: the COVID-19 pandemic constitutes a widespread and severe public health crisis with profound implications for citizens, societies and economies around the world. It poses major and unprecedented challenges to the economic and financial systems of Member States.

According to the Commission's spring economic forecasts, the EU GDP is forecast to contract by about 7.5 % this year, far deeper than during the global financial crisis in 2009, and to rebound by only 6% in 2021 while the EU unemployment rate is set to rise to 9% in 2020, with a risk of rising poverty and inequality.

In response to this emergency situation, Member States have adopted exceptional financial measures which have a considerable impact on their public finances. However, as its effects are not symmetrical across Member States, the crisis risks widening disparities within the Union and could result in lasting damage to the EU's economic tissue unless it is met with a commensurate short and medium term policy response at the level of the Union.

The Union has acted swiftly to provide a powerful and coordinated collective response to the social and economic consequences of the crisis, within the limits of the current multiannual financial framework which expires in 2020. However, financial resources on an exceptional scale are needed to address the consequences of the COVID-19 crisis without increasing the pressure on Member States' finances.

The Commission therefore considers it urgent to provide additional financial capacity immediately available to support recovery and resilience throughout the Union.

CONTENT: the Commission's amended proposal aims to allow the mobilisation of part of the funds needed to support the recovery through borrowing on capital markets. These borrowings would be repaid when the Union returns to a positive growth path.

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In addition, the ceilings of the own resources decision should be adjusted upwards, on a temporary basis, by 0.6 percentage points. This additional allocation may only be used to meet financial obligations and contingent liabilities arising from the exceptional and temporary empowerment to borrow funds.

System of own resources of the European Union

2018/0135(CNS) - 02/05/2018

PURPOSE: to lay down rules on the allocation of Own Resources to the Union in order to ensure the financing of the Union's annual budget.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

BACKGROUND: the Own Resources System of the Union must ensure adequate resources for the orderly development of the policies of the Union, subject to the need for strict budgetary discipline.

The current Own Resources system rests on **three main categories of revenue**: (i) so-called Traditional Own Resources (mainly customs duties); (ii) a Value Added Tax-based Own Resource; and (iii) the Gross National Income-based Own Resource.

The Own Resource based on national income has over time become the main component of the system, accounting for over 70% of EU revenue.

Today, the range of **new policy priorities** with budgetary implications and the UK's withdrawal from the EU require particular attention to the architecture of the own resources system. A proposal for reform of the financing system is needed to meet the EU's economic and environmental challenges.

The Commission adopted a '[Reflection Paper on the Future of EU Finances](#)' in June 2017. The paper proposes a range of options where **Own Resources would be linked more visibly to EU policies**, in particular the Single Market and sustainable growth. The paper stated that when introducing new Own Resources, attention should be paid to (i) their transparency, simplicity and stability; (ii) their consistency with EU policy objectives; (iii) their impact on competitiveness and sustainable growth; and (iv) their equitable breakdown among Member States.

In March 2018, the European Parliament adopted a [Resolution](#) on the reform of the EU's system of Own Resources. The Resolution highlights the shortcomings in the present way of financing the EU budget and makes a plea for **far-reaching reforms**, calling in particular for the introduction of different new categories of Own Resources and the discontinuation of all corrections.

This proposal is presented at the same time as the [proposal](#) for the next multiannual financial framework regulation for the period 2021-2027.

CONTENT: the proposed own resources decision determines: (i) the categories of Own Resources to be entered in the budget of the Union; (ii) the maximum call rates to be applied ; (iii) the Own Resources ceilings; (iv) correction mechanisms (if deemed necessary) and how to finance them; and (v) certain budgetary principles.

The main elements of the new proposal are as follows:

(1) Modernisation the current own resources: the Commission proposes:

- to keep customs duties unchanged as traditional own resources for the EU, but by reducing the percentage retained by Member States as 'collection costs' to 10%;
- to maintain the own resource based on gross national income and maintaining its balancing function;
- simplify the own resource based on value added tax on the basis of the following principles: (i) focusing on the standard rate supplies; (ii) streamlining the procedure to calculate the VAT base; and (iii) application of a uniform call rate on the standard rated base.

(2) A basket of new own resources: the Commission proposes to introduce three new categories of Own Resources including:

- a share of the common consolidated corporate tax base: a 3 % call rate would be applied to the new common consolidated corporate tax base (to be phased in once the necessary legislation has been adopted), which could yield on average some EUR 12 billion per year;
- a 20% share of the revenue generated by the emissions trading scheme. Depending on the forecast, average revenues could vary from EUR 1.2 to 3.0 billion per year depending on the market price for EU ETS allowances;
- a national contribution calculated on the amount of non-recycled plastic packaging waste in each Member State (i.e. EUR 0.80 per kilo), which could yield some EUR 7 billion per year.

(3) Revenues from EU policies: the Commission proposes that, it should be a matter of principle that revenue which is directly generated by implementing of EU policy and the enforcing common Union level rules should accrue by default to the EU budget.

The Commission mentions the European Travel and Information Authorisation System (ETIAS) as an example of revenue that could accrue to the EU budget on the basis of legal acts other than the Own Resources Decision or tax harmonisation.

(4) Phasing out corrections: mostly for historical reasons, a number of Member States benefited from a complex system of corrections and rebates, the most important of these mechanisms was the United Kingdom correction. Over time, the amounts of corrections and rebates have increased exceeding.

The Commission proposes to simplify and reform the current complex rebate system. However, in order to avoid a significant and sudden increase in the contributions of Member States having benefitted from corrections, lump sum reductions to their Gross National Income-based contribution are proposed, which will be gradually phased out until 2025.

(5) Increasing the own resources ceiling: at present, this ceiling is set at "1.20% of the sum of all the Member States' Gross National Income ". With Brexit, the value of the amount under this ceiling automatically will decrease by approximately 16% (i.e. the share of the United Kingdom's Gross National Income). The integration of the European Development Fund into the EU budget will need to be accompanied by an increase in the ceilings.

The Commission proposes to increase the own resources ceilings for payments and commitments to 1.29 % and 1.35 % of the EU-27 gross national income, respectively.

NB: the proposal is accompanied by a proposal for a Regulation laying down measures for implementing the system of the European Union's own resources and a proposal for a Regulation on the operational arrangements for making own resources available to the EU budget and on the Commission's accounts.

System of own resources of the European Union

2018/0135(CNS) - 09/10/2018 - Court of Auditors: opinion, report

Opinion No 5/2018 of the Court of Auditors.

The financing system for the EU budget has not been significantly reformed since 1988. The Commission has proposed changing this financing system for the future budget under the 2021-2027 Multi-annual Financial Framework (MFF) by:

- reforming existing own resources, which will make up 87 % of EU revenue: keeping TOR but with lower rate of collection costs, maintaining the GNI-based own resource and simplifying the own resource based on VAT;
- introducing a 'basket' of three new own resources, which together will make up 12 % of EU revenue: one based on the Common Consolidated Corporate Tax Base (CCCTB), one based on the European Union (EU) Emissions Trading System (ETS) and one based on plastic packaging waste that is not recycled;
- phasing out the corrections that exist in the current system;
- increasing the ceilings for own resources to overcome the impact of Brexit and the integration of European Development Fund (EDF) into the EU budget, as well as to cover financial liabilities linked to loans or financial facilities guaranteed from the EU budget.

Assessment

The proposed new EU financing system took on board a number of the key principles of the reform, but not all and the financing system remains complex. It is of the opinion that a single regulation with a comprehensive set of own resources provisions would simplify the system and make it more transparent.

After having assessed the Commission's proposals, the Court of Auditors considers that:

- the proposed reduction of the collection costs rate for TOR is not justified by means of a study providing reliable estimates of the costs incurred by customs authorities in collecting duties;
- the proposed simplified VAT-based own resource includes assumptions on standard-rated transactions that do not adhere to some of the calculation steps described by the Commission;
- the application of the own resource based on the CCCTB is subject to the Directive on this tax being adopted by the Council and transposed in the Member States. It will be at the earliest phased in several years after the start of the new MFF;
- the EU ETS is an important tool for implementing the EU's policies on climate and the environment. However, the proposed own resource based on the EU ETS does not create an additional incentive for Member States to reduce greenhouse gas emissions. In addition, it is not a stable resource since the auction prices of the emission allowances are highly volatile;
- the plastic packaging waste-based own resource provides an incentive for Member States to increase plastics recycling. There is a need to improve the quality of data used to calculate this own resource;
- the phasing-out of corrections is a step forward in implementing a more transparent and less complex system. According to the Commission's proposal, corrections will end in 2026;
- there may be restrictions on audit powers in respect of those based on the CCCTB and plastic packaging waste. There is a risk this may affect auditability and thus accountability.

Recommendations

The Court of Auditors recommended that the legislative bodies should ask the Commission to take the following measures as soon as possible:

(1) Review the legislative proposals as regards the new own resources. The Commission should: (i) carefully assess the likelihood of applying the CCCTB-based own resource during the next MFF, (ii) clarify in its proposal that the EU ETS-based own resource does not create an additional incentive for Member States to reduce greenhouse gas emissions, and analyse the impact of this resource's volatility, (iii) carefully consider how the amounts expected to be collected through the plastic packaging waste-based own resource may decrease due to changes in the behaviour of households and economic operators.

(2) Reconsider the proposal for the simplified VAT-based own resource and, should it decide to keep it, modify the proposal.