

Procedure file

Basic information	
CNS - Consultation procedure Decision	2018/0135(CNS) Procedure completed
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	
Legislative priorities Multiannual Financial Framework 2021-2027	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	BUDG Budgets		10/10/2019
		 FERNANDES José Manuel	10/10/2019
		 HAYER Valérie	
		Shadow rapporteur	
		 GUALMINI Elisabetta	
		 CORMAND David	
		 LAPORTE Héléne	
		 ZĪLE Roberts	
		 OMARJEE Younous	
	 PAPADIMOULIS Dimitrios		
Former committee responsible			
BUDG Budgets			
Committee for opinion	Rapporteur for opinion	Appointed	
ECON Economic and Monetary Affairs		The committee decided not to give an opinion.	
AGRI Agriculture and Rural Development		The committee decided not to give an opinion.	
INTA International Trade		The committee decided not to give an opinion.	
CONT Budgetary Control			06/07/2020
	 HOHLMEIER Monika		

Council of the European Union European Commission	AFCO Constitutional Affairs	07/07/2020
	 GOZI Sandro	
	ENVI Environment, Public Health and Food Safety	09/09/2019
	 DE LANGE Esther	
	Former committee for opinion	
	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		
Commission DG	Commissioner	
Secretariat-General	OETTINGER Günther	

Key events

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	Results of vote in Parliament		
16/09/2020	Decision by Parliament	T9-0220/2020	Summary
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
	Repealing Decision 2014/335/EU, Euratom 2011/0183(CNS)
Legal basis	Treaty on the Functioning of the EU TFEU 311 -a3; Euratom Treaty A 106a-pa

Stage reached in procedure	Procedure completed
Committee dossier	BUDG/9/00292

Documentation gateway					
Initial legislative proposal		COM(2018)0325	02/05/2018	EC	
Document attached to the procedure		SWD(2018)0172	03/05/2018	EC	
Reasoned opinion	SE_PARLIAMENT	PE623.873	13/09/2018	NP	
Committee of the Regions: opinion		CDR2389/2018	09/10/2018	CofR	
Court of Auditors: opinion, report		N8-0011/2019 OJ C 431 29.11.2018, p. 0001	09/10/2018	CofA	Summary
Supplementary legislative basic document		COM(2020)0445	28/05/2020	EC	Summary
Committee draft report		PE653.866	09/07/2020	EP	
Specific opinion	ENVI	PE653.878	17/07/2020	EP	
Amendments tabled in committee		PE655.682	20/07/2020	EP	
Legislative proposal		10025/2020	30/07/2020	CSL	
Specific opinion	CONT	PE655.894	12/08/2020	EP	
Specific opinion	AFCO	PE655.594	28/08/2020	EP	
Committee report tabled for plenary, 1st reading/single reading		A9-0146/2020	03/09/2020	EP	
Text adopted by Parliament, 1st reading/single reading		T9-0220/2020	16/09/2020	EP	Summary
Commission response to text adopted in plenary		SP(2020)455	15/10/2020	EC	

Additional information		
Research document	Briefing	06/10/2020

Final act
Decision 2020/2053 OJ L 424 15.12.2020, p. 0001

System of own resources of the European Union

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.

System of own resources of the European Union

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

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.