

# System of own resources of the European Union

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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.