

Opinion on the EU own resources system

Following the European Council's July political agreement on the EU's financing system, the European Parliament is expected to vote its legislative opinion on the reform during its September plenary part-session, with a view to expediting the launch of the borrowing operations of Next Generation EU. The report adopted on 1 September by the Committee on Budgets stresses that new own resources must be introduced, and finance at least the entire repayment costs of the recovery instrument. Parliament intends to negotiate a legally binding calendar to this end.

European Commission proposal

In May 2020, the Commission [updated](#) its [initial proposal](#) for the reform of the own resources system that finances the EU budget, with a view to enabling the EU to carry out the borrowing operations of the [Next Generation EU](#) (NGEU) recovery instrument. Overall, the proposed reform included a number of changes to the current system: an increase in the own resources ceiling, the maximum level of resources that can be called from the Member States annually; the introduction of three new genuine EU own resources; the phasing out of the corrections that reduce the contributions of five Member States (Austria, Denmark, Germany, the Netherlands and Sweden) to the EU budget; and the reduction of the collection costs that Member States retain on customs duties, from 20 % to 10 %.

European Council and Council

In July 2020, the European Council reached [political agreement](#) on the 2021-2027 multiannual financial framework (MFF), together with NGEU and own resources. As proposed, the own resources ceiling will rise permanently from 1.20 % to 1.40 % of the EU's total gross national income (GNI), and in addition temporarily (until December 2058 at the latest) by a further 0.60 %. The temporary increase, which enables the Commission to borrow on a much larger scale than in the past, will be devoted exclusively to borrowing operations for NGEU. A new own resource linked to non-recycled plastic waste will be introduced as of 2021, which should be a first step in a broader reform. The Commission is invited to make proposals for other new own resources, notably a border carbon adjustment mechanism, a digital levy, and proceeds linked to the EU's emissions trading system (ETS). However, contrary to the proposal, corrections will be maintained and, overall, increased. Collection costs on customs duties will rise from 20 % to 25 %. The Council's adoption of the [own resources decision](#), translating the deal into a legal text, must be followed by the ratification of the decision by all Member States, on the basis of their national procedures.

European Parliament position

Before Council can adopt the decision, Parliament has to adopt a legislative opinion, the preparation of which has been fast-tracked by its Committee on Budgets (BUDG) to ensure the timely launch of NGEU. In its [initial reaction](#) to the political agreement, Parliament reiterated that it will not give its consent to the MFF without proper reform of the EU's financing system. Notably, the introduction of a basket of new own resources should aim to cover at least the repayment costs of NGEU. Building on the July 2020 resolution and deeming the plastics contribution only a first partial step in this direction, the [BUDG report](#) details a roadmap for the legally binding calendar that Parliament intends to negotiate on the introduction of five additional new own resources, linked to EU policies on climate and the single market (see Figure 1 below). Deploiring the fact that the European Council has not only retained but also increased the rebates, the text reaffirms that all corrections should be eliminated. In addition, collection costs on customs duties should be reduced to their original level of 10 %, as proposed by the Commission.



Figure 1: Proposed roadmap for the introduction of new own resources over the 2021-2027 period



Source: EPRS, based on Committee on Budgets report.

