BRIEFING

EU Legislation in Progress
2021-2027 MFF

European Parliament

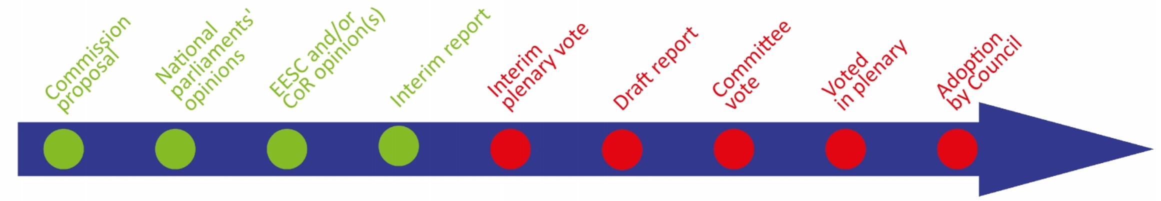
Own resources of the European Union
Reforming the EU's financing system

OVERVIEW

The EU budget is financed by the system of own resources and cannot run a deficit. The current system provides sufficient revenue to cover EU expenditure, but has often been criticised as opaque and unfair. The European Parliament, which has little say in the design of the system, has long pushed for its reform, with a view to shifting the focus of budgetary negotiations from geographically pre-allocated expenditure to the policies with the highest European added value. The European Commission is proposing to modify the financing of the EU budget as of 2021, when the next multiannual financial framework should start. Proposed changes include: the simplification of existing own resources; the introduction of three new own resources linked to EU policies on climate, environment and the single market; the reduction of the share of revenue provided by the GNI-based resource, which is perceived as national contributions; the abolition of the UK rebate (following that country’s withdrawal from the EU); and the phasing-out of corrections currently granted to other five Member States. A special legislative procedure applies to the principal decision, requiring unanimity in the Council. This is considered a major obstacle to reform of the system, which has remained substantially unchanged for 30 years.

Proposal for a Council decision on the system of own resources of the European Union
Proposals for Council regulations (1) laying down implementing measures for the system of own resources of the European Union; (2) on the methods and procedure for making available the own resources...; and (3) amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax

Committee responsible:	Budgets (BUDG)	COM(2018) 325, 326, 327, 328 final
Rapporteurs:	Janusz Lewandowski (EPP, Poland) and Gérard Deprez (ALDE, Belgium)	2.5.2018
		2018/0135(CNS)
Shadow rapporteurs:	Younous Omarjee (GUE/NGL, France) Marco Valli (EFDD, Italy)	2018/0132(APP) 2018/0131(NLE) 2018/0133(NLE)
Next steps expected:	Plenary vote on interim report	Consultation procedure (CNS)



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Introduction

The system of own resources provides for the financing of the EU budget, setting out its sources of revenue and calculation methods. The provisions governing the revenue side of the EU budget are usually negotiated in a comprehensive budgetary package that includes the multiannual plan for the expenditure, set out in the EU's multiannual financial framework (MFF). The European Council plays a prominent role in the negotiations of the overall package, despite not having a role in the related legislative procedures.

The European Parliament and the Council, the two arms of the EU budgetary authority, have different powers, depending on the issue at stake. As regards the EU's financing system, its general provisions are set out in a Council decision (the Own Resources Decision), which requires unanimity and ratification by all Member States, following consultation of the European Parliament. The Council regulation laying down the implementing measures for the system is adopted by a qualified majority after obtaining Parliament's consent. In addition, operational provisions on the methods for making available or collecting specific own resources are included in separate Council regulations to which a third procedure applies: qualified majority in the Council following consultation of the Parliament and the European Court of Auditors (ECA).

While Parliament has rather limited powers on the revenue side of the EU budget, it has long pushed for an overhaul of the own resources system, deeming its current configuration to be opaque, unfair and against the provisions of the Treaty on the Functioning of the European Union (TFEU). On 2 May 2018, the European Commission put forward its proposals for the 2021-2027 MFF, accompanying them with proposals for changes to the financing system of the EU budget.

Existing situation

Council Decision 2014/335/EU sets out the general provisions for the EU's financing system. The EU budget is capped by the own resources ceiling for payments, establishing that in one year own resources cannot exceed 1.20 % of the EU's gross national income (GNI). Three categories of own resources finance the EU budget:

1. **traditional own resources** (mainly customs duties) that Member States collect on behalf of the EU, retaining 20 % of relevant amounts as collection costs;
2. an **own resource based on value added tax (VAT)**, for which Member States' contributions are based on a complex calculation that implies the statistical harmonisation of their VAT bases with various corrections and caps, and the application of a uniform call rate (0.30 %, but Germany, the Netherlands and Sweden have a reduced call rate of 0.15 % over the 2014 to 2020 period); and
3. a **GNI-based own resource**, through which Member States transfer to the EU budget a share of their annual GNI (slightly over 0.51 % in 2017), which is set each year in the context of the annual budgetary procedure.

Some Member States benefit from reductions on their contributions. The first and most renowned correction is the UK rebate, introduced on the basis of the conclusions of the 1984 Fontainebleau European Council, that no Member State should sustain a budgetary burden which is excessive in relation to its relative prosperity. Other corrections are granted to Austria, Denmark, Germany, the Netherlands and Sweden in the form of a permanently reduced financing of the UK rebate ('rebates on the rebate') and/or other mechanisms, which apply for a specific period of time, such as lump-sum reductions on their GNI contributions and lower call rates of the VAT-based resource.[1]

In addition to own resources, other revenue that accrues to the EU budget includes tax on EU staff remunerations, contributions from third countries to certain programmes such as Horizon 2020 and Erasmus, interest on late payments and fines on companies for breaching competition law.

Since the EU budget cannot run a deficit, the GNI-based resource plays the budget-balancing role, financing the annual expenditure not covered by all other EU own resources and revenue. For this reason, its call rate changes every year. Despite being introduced as a residual element, the GNI-based resource has over time acquired a central role in the system, and currently provides for the bulk of the financing. Furthermore, the VAT-based own resource is often perceived as a second GNI-based resource due to the complex statistical calculation that weakens the link to actual VAT proceeds in Member States. Figure 1 in the section on the changes that the proposal would bring presents the mix of revenue for 2018.

GNI- and VAT-based resources, which jointly account for 70-80 % of annual EU revenue, are referred to as national contributions, and are generally considered very predictable. However, being based on statistical aggregates to be updated regularly first with estimates and then with actual data, they have on a few occasions produced rather large annual adjustments in their distribution between Member States, as it was the case at the end of 2014.[2]

While the own resources system overall provides sufficient revenue to cover EU expenditure, various scholars and stakeholders, including the European Parliament, have pointed to its shortcomings. In particular, one major criticism is that a system highly and increasingly dependent on national contributions has a negative impact on the expenditure side of the EU budget, and hinders the reform of the latter.[3]

The structure of the own resources system has not undergone any significant modifications since the end of the 1980s, when the GNI-based resource was introduced. The unanimity requirement for the Own Resources Decision appears to be a major obstacle to reform, giving a de facto veto power to each Member State in the Council.

The Own Resources Decision is in force without an expiry date, unlike the MFF regulation, which covers a specific timeframe (currently the 2014 to 2020 period). However, the expected withdrawal of the UK from the EU eliminates the rationale behind the country's rebate and related corrections secured by some Member States in the financing of the UK rebate, making the case for the adoption of a new own resources decision.

Parliament's starting position

Parliament is highly critical of the current configuration of the own resources system, considering that it goes against the provisions of the Treaties. While Article 311 TFEU provides the Union with financial autonomy, most of the financing comes from the GNI- and the VAT-based own resources, which Member States perceive as national contributions, to be minimised. This feature is deemed to have a series of negative repercussions on the MFF and the EU budget, by contributing to a focus in the relevant negotiations on Member States' budgetary balances[4] and on geographically pre-allocated expenditure. In Parliament's view, the focus should rather shift to policy areas where pooling of resources at EU level can be more effective than national expenditure. In addition, Parliament points to the opacity that correction mechanisms introduce to the system.

Since the 1990s, Parliament has called repeatedly for an in depth-reform of the system, with a view to making it simpler, fairer and more transparent.[5] The modifications it has requested include: the introduction of new genuine own resources linked to EU policies and objectives; a reduction in the share of the GNI-based resource in the revenue mix; the elimination of all correction mechanisms; and the use of fines from competition policy and other unforeseen revenue to create a reserve for unexpected and additional needs.[6] Parliament resolutions have put forward numerous potential bases for new own resources for consideration, including: VAT (a modified version of the related own resource); a share of corporate income tax; a financial transaction tax at EU level; seigniorage (central bank revenue accruing from the issuance of money); taxation in the digital sector; and environmental taxes.

A Commission reform package of 2011 eventually resulted in limited changes in the own resource system. Dissatisfied with this outcome, Parliament succeeded in keeping the topic high on the political agenda, by using its consent power in the procedure for the adoption of the MFF. One of the conditions that Parliament set to give its consent to the 2014-2020 MFF was the creation of an interinstitutional high-level group to be tasked with a thorough review of the own resources system. In the longer term, Parliament would like to see its role in the adoption of own resources enhanced through modification of Article 311 TFEU.

Council and European Council starting position

During the negotiations on the reform package put forward by the Commission in 2011, most Member States in the Council were of the opinion that the own resources system could be streamlined and simplified. However, a few Member States had a differing view and the unanimity requirement for the adoption of the decision proved to be a powerful obstacle to in-depth reform. The European Council and the Council eventually agreed only to limited changes in the system.[7]

While the Commission proposed two new own resources in its 2011 reform package, neither of them was introduced. In its conclusions on the 2014-2020 MFF negotiations, the European Council did not rule out the replacement of the current VAT-based resource with a new, simpler VAT-based resource, but deemed further work to be needed.[8] Some Member States, meanwhile, were strongly opposed to an own resource based on the possible creation of a common financial transaction tax (FTT). The European Council asked for the eleven Member States that had decided to pursue the project under enhanced cooperation to consider the possible use of part of the resulting proceeds as an EU own resource. However, five years later the – now – ten participating Member States have not yet reached an agreement on the establishment of an FTT.

Preparation of the proposal

In 2014, the establishment of the interinstitutional High-Level Group on Own Resources (HLGOR), as strongly requested by the European Parliament, meant that the discussion on possible changes in the EU's financing system began shortly after the beginning of the current programming period. The European Parliament, the Council and the Commission each appointed three members to the HLGOR, which was chaired by Professor Mario Monti.

The HLGOR carried out a comprehensive review of the current system, producing a first assessment report in December 2014, consulting national parliaments and commissioning an external study.[9] Building on these analyses, the final report of the HLGOR concludes that both sides of the EU budget need to be reformed to address new policy challenges. As regards revenue, all correction mechanisms should be abolished to make the system simpler and fairer, but some positive elements should be retained: the principle of equilibrium, traditional own resources, and the GNI-based own resource, which should however be used as a truly residual and balancing resource. In addition, the report recommends introducing a mix of new resources linked to EU policies, which could increase the budgetary focus on measures with European added value and, simultaneously, contribute to broader EU policy objectives. Potential candidates stem from policy areas such as the single market, fiscal coordination, energy, environment, climate change, and transport.

Following the publication of the HLGOR's final report in January 2017, discussions on the reform of the EU budget gained momentum in the context of the wider debate on the future of the EU, kick-started by the European Commission with a white paper two months later. Among the documents published by the Commission on five topics considered crucial to this debate, there is a June 2017 reflection paper on the future of EU finances.[10] In this paper, taking into account the conclusions and recommendations of the HLGOR, the Commission includes the elimination of correction mechanisms among the elements that should characterise the reform of the EU budget under all the scenarios outlined for the future of the EU on account of the simplification that this change would bring to the financing system. Other options for the revenue side vary depending on each scenario's level of ambition, and include the introduction of new sources of revenue, fees and/or own resources. Any new resources should not only be a revenue source, but also contribute to EU policy objectives. The selection of new resources should consider features such as transparency, simplicity, stability, impact on competitiveness and sustainable growth, and fair breakdown among Member States.

Ahead of the first informal meeting of EU leaders on the post-2020 MFF, the European Commission said that the debate would concern not only the allocation of expenditure but also its financing. In its contribution to the meeting,[11] the Commission reiterated that, on the occasion of the expected withdrawal of the UK, all corrections should be abolished to make the own resources system simpler and more transparent. The document provided an overview of four options for new revenue streams that could strengthen a progressively weakened link between EU financing and EU policy objectives: a new VAT-based own resource, revenue from the EU's emission trading system (ETS), an own resource based on a common consolidated corporate tax base (CCCTB), and seigniorage.

The changes the proposal would bring

The European Commission makes the case for its reform proposal for the own resources system on the basis of a mix of factors including: the emergence of new priorities with budgetary implications; the expected withdrawal of the UK, a net contributor to the EU budget that is endowed with an ad-hoc correction mechanism; and the support that the EU budget can give to policy objectives not only through expenditure, but also by means of revenue sources.

The reform package is composed of proposals for an own resources decision, an implementing regulation and two operational regulations on the methods for making available or collecting specific own resources. The main changes proposed in the package can be grouped in six areas:

1. **Simplification of existing resources**. The collection costs that Member States retain on customs duties (i.e. the main component of traditional own resources) would be reduced from 20 % to their original level of 10 %. The increase of this rate as of the year 2000 has often been regarded as a hidden correction in favour of Member States that are significant entry points of supplies into the single market. The VAT-based own resource would be streamlined, by simplifying the calculation of VAT bases with a focus on standard rated supplies and the application of a uniform call rate. The GNI-based own resource would be kept as the budget-balancing element, but its relative importance in the revenue mix would be reduced.
2. **Gradual elimination of all correction mechanisms**. The expected withdrawal of the UK from the EU would provide the opportunity to abolish the UK rebate. In addition, deeming the overall package proposed for the post-2020 EU budget fair and balanced, the Commission concludes that the other corrections currently granted to Austria, Denmark, Germany, the Netherlands, and Sweden are no longer justified, and proposes to phase them out. Their gradual elimination would be achieved by means of annual lump-sum reductions in their GNI-based contributions over the 2021 to 2025 period, which the Commission justifies by the 'significant and sudden increase in their national contributions' that these five Member States would otherwise experience.
3. **Three new own resources linked to EU policies**. The introduction of new resources would diversify the revenue mix, and correspondingly reduce the share of the GNI-based own resource. The Commission has selected three possibilities, taking into account their role in and/or potential contribution to broader EU objectives. An own resource based on a common consolidated corporate tax base (CCCTB), which is linked to the single market and the fight against tax-base erosion, would allocate 3 %

of the relevant taxable profits of large enterprises to the EU budget once the (currently under negotiation) proposal on the setting up of a CCCTB in the EU is adopted. In the field of climate policy, the existing EU emissions trading system (ETS) would attribute 20 % of the revenue accruing from certain categories of its allowances to the EU budget. In addition, Member States would pay an own resource contribution proportional to the quantity of non-recycled plastic packaging waste that they generate (€0.80 per kilo), in line with EU environmental objectives to promote a circular economy. The Commission estimates that, on average, the three new own resources combined would provide 12 % of total revenue for the 2021 to 2027 MFF.

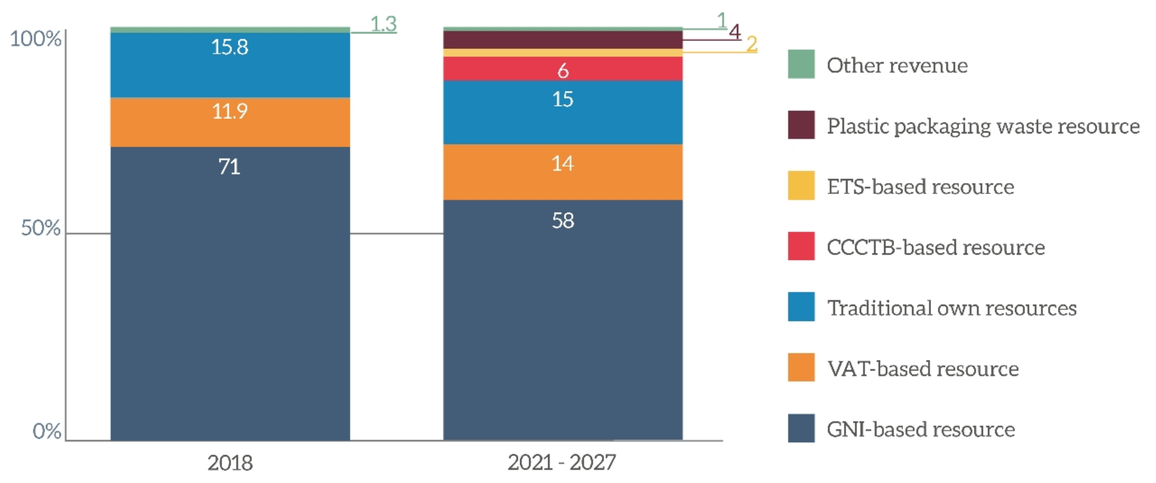
4. **Automatic allocation of future revenue from EU policies to the EU budget**. Under Article 2(2) of the proposed decision, any other revenue generated by new common EU policies would accrue directly to the EU budget. The Commission mentions fees from the European Travel and Information Authorisation System (ETIAS) as a possible example of such revenue that would not require modification of the Own Resources Decision, but would be directly included in the relevant legal act.
5. **Increase of the own resources ceilings by 0.09 % of EU GNI**. This proposal, which would raise the own resources ceiling for payments to 1.29 % of EU GNI, aims to address a number of changes with implications for the EU budget: the decrease that the UK withdrawal will automatically trigger in total EU GNI, of which the UK share is around 16 %; the proposed inclusion in the MFF of the European Development Fund (EDF), an intergovernmental tool currently financed by Member States outside the EU budget and its ceilings; and the increasing use of financial instruments guaranteed against the EU budget. If the own resources ceiling for payments stayed untouched at 1.20 % of EU GNI, the above factors would reduce the margin between it and the actual payment ceiling in the proposed MFF. This margin represents the headroom available to cover contingent liabilities and unforeseen events such as economic downturns, and is taken into account in the assessment of the EU's credit rating. Along similar lines, the own resources ceiling for commitments would be raised from 1.26 % to 1.35 % of EU GNI.
6. **Inclusion of a limited degree of flexibility for the fine-tuning of the system**. The proposal moves some provisions currently in the Own Resources Decision, such as those on the reference GNI, to the implementing regulation. In particular, the new decision would set the maximum call rates for the various own resources, but the implementing regulation would now establish the applicable call rates. Should the need to fine-tune the system arise, this change would provide some room for manoeuvre within the limits set in the decision, since a nimbler legislative procedure applies to the implementing regulation (qualified majority in the Council and consent of the European Parliament).

Many elements of the proposal take into account recommendations of the High-Level Group on Own Resources, long-standing demands from the European Parliament and analysis by the European Court of Auditors. Examples in this direction are: the phasing-out of corrections, whose very existence compromises the simplicity and transparency of the financing system according to the Court; the streamlining of the VAT-based resource; and the introduction of new genuine own resources linked to common objectives.

All three new resources proposed were among the options advocated by Parliament in its March 2018 resolution. While Parliament argued that the introduction of new resources should be aimed at reducing the share of the GNI-based resource to 40 % of the revenue mix, the European Commission estimates that, once the changes proposed in the package are implemented, the GNI-based resource would provide 50-60 % of total revenue.

Figure 1 compares the 2018 mix of EU revenue with its 2021 to 2027 average estimated by the European Commission on the basis of its proposals. The revenue expected from the three new resources over the next programming period is 12 % of the total. Half of this would accrue from the CCCTB-based own resource, which may require more time than the others to be implemented, since Member States are still negotiating the creation of a CCCTB at EU level.

Figure 1 – Mix of EU revenue in 2018 and estimated average for 2021 to 2027 period



Source: EPRS based on European Commission estimates, COM(2018) 325.

Given the procedural complexity implied in the creation of new own resources, the proposal pays more attention than in the past to other sources of revenue stemming from EU policies, introducing a specific principle that would automatically link any new revenue of this kind to the EU budget. While recalling that, owing to its size and volatility, other revenue cannot replace own resources, both Parliament and the High-Level Group have called for such supplementary revenue streams not to be neglected, since they can nevertheless make a contribution to EU's financing by means of smoother procedures. The new principle proposed in Article 2(2) of the decision would address this recommendation. Conversely, the Commission has not retained the EP's idea that fines from breaching EU competition law and other unforeseen revenue should be put in a reserve to finance unexpected needs instead of being used to reduce GNI-based contributions.

The proposed transfer of some provisions from the Own Resources Decision to the Implementing Regulation appears to respond to Parliament's concern that at present some implementing measures are still to be found in the former, which is much more difficult to modify if needed. In addition, if approved, such a change would to some extent enhance Parliament's role in shaping the revenue side of the budget.

Advisory committees

Ahead of the presentation of the reform proposals, a 2017 opinion of the Committee of the Regions (rapporteur: Isabelle Boudineau, PES, France) supported the elimination of all correction mechanisms and the introduction of new own resources, with a view to reducing the role of national contributions in the EU's financing system and increasing the focus on European added value to address common challenges.

On 5 September 2018, the Council decided to consult both advisory committees on the reform of the own resources system put forward by the European Commission. In an opinion of 19 September 2018 (rapporteur: Javier Doz Orrit, Workers – Group II, Spain), the European Economic and Social Committee (EESC) welcomed the proposals for the introduction of new genuine own resources and the elimination of all correction mechanisms. Nevertheless, the EESC deemed the overall package on the own resources system to be insufficiently ambitious, calling for broader reform fully informed by the recommendations of the High-Level Group on Own Resources and the European Parliament to decrease the share of the GNI-based resource more substantially.

The Committee of the Regions' opinion of 9 October 2018 (rapporteur: Nikola Dobroslavić, EPP, Croatia) welcomes simplification efforts such as the phasing out of corrections and the streamlining of the VAT-based own resource. While appreciating the introduction of new own resources, the Committee finds the basket proposed by the Commission limited and questions the own resource based on non-recycled plastic packaging waste. The opinion suggests tapping more substantially into the potential of the CCCTB-based own resource and exploring other revenue sources. There is also criticism of the absence of analysis regarding the potential financial impact of the package on local and regional authorities.

National parliaments

The special legislative procedure applicable to the EU's financing system includes a specific role for national parliaments, which have to ratify the own resources decision following unanimous agreement and adoption in the Council. The High-Level Group on Own Resources consulted national parliaments and took into account their views in the preparation of its final report.[12]

In a reasoned opinion, Sweden has argued that the Commission proposal fails to comply with the principle of subsidiarity, in particular as regards the CCCTB-based own resource, noting that no agreement has yet been reached on the underlying CCCTB. Satisfied overall with the current financing system, the Swedish Parliament considers the corrections to be justified, and opposes their phasing out. The Czech Senate has expressed reservations on the proposals for new own resources tabled by the Commission while welcoming the intention to abolish all correction mechanisms. The Chamber of Deputies of the Czech Republic has rejected the idea of introducing new own resources. Conversely, Portugal argues that the assignment of a share of revenue stemming from common policies to the EU budget could improve synergies between the Union and national economies, adding that the proposed introduction of new own resources fully respects the fiscal sovereignty of Member States. The German Bundesrat acknowledges the Commission's efforts to make the system simpler and more transparent, supporting the proposal to abolish the current VAT-based own resource. The Bundesrat agrees to the phasing-out of ad hoc corrections, but considers that these should be replaced by a generalised correction mechanism to benefit all the Member States facing an excessive budgetary burden.

Stakeholders' views[13]

Commenting on the overall package for the post-2020 EU budget, the Bruegel think-tank included the proposed reform of the revenue side among its positive elements, supporting many elements of the proposal such as the phasing out of all corrections and the introduction of new genuine own resources linked to EU objectives. However, the analysis sees the reduction in the share of customs duties retained by Member States as too timid, estimating that actual collection costs are lower.

A policy brief by the Jacques Delors Institute criticises the proposed basket of new own resources as lacking ambition when compared with the recommendations of the High-Level Group. In addition, the authors point to the slow pace of the negotiations on the introduction of a CCCTB and the increasing resistance in some Member States to a levy on non-recycled plastic packaging waste.

The European Policy Centre (EPC) welcomes the proposed abolition of all rebates and considers that the idea of creating new own resources linked to EU objectives deserves to be further explored. While assessing the two proposed own resources linked to environmental objectives as interesting, the commentary concludes that both require an in-depth scrutiny in relation to feasibility of collection, volatility of revenue, and possible negative externalities.

The CEPS think-tank sees the proposed introduction of new own resources as an attempt to prevent the expected withdrawal of the UK from resulting in an increase of national contributions from the remaining 27 Member States. However, the authors deem most of the relevant proposals unlikely to materialise in the near future.

Legislative process

When presenting its budgetary package for the post-2020 period on 2 May 2018, the Commission called for an agreement on it to be reached within one year, i.e. before the European Parliament elections and the informal European Council on the future of the EU in May 2019. The Commission stressed that this timeline would contribute to avoiding the delays in implementation that hindered the start of the 2014 to 2020 MFF, for which more than two years elapsed between the tabling of the proposal (June 2011) and the adoption of the Council Regulation (December 2013).[14]

In a resolution of 30 May 2018, Parliament expressed its readiness to start immediately on a structured dialogue with the Council to facilitate a timely agreement. Supporting the reform package for the revenue side put forward by the Commission, the text welcomes various elements of the proposal such as: the three new own resources, the elimination of all corrections, the simplification of the VAT-based resource, and the principle that revenue generated by EU policies should automatically accrue to the EU budget. Conversely, the resolution questions the absence of proposals on new EU own resources linked to an FTT and to a tax on large companies in the digital sector. Parliament reaffirmed its view that 'the expenditure and revenue side of the next MFF should be treated as a single package in the upcoming negotiations'.

On 18 September 2018, the General Affairs Council discussed the state of play in the negotiations on the basis of a report prepared by the Austrian Presidency. A majority of delegations consider that the GNI-based resource works well, deeming a reduction of its share unnecessary. However, some delegations welcome the proposals for new own resources. At this stage, delegations have differing views on most elements of the proposals. The only point of unanimous agreement so far relates to keeping the provisions on applicable call rates and reference GNI in the decision, which would reject the limited flexibility proposed by the Commission for the fine-tuning of the system. In addition, a large majority of delegations oppose the principle of allocating revenue accruing from EU policies to the EU budget. The Austrian Presidency plans to present a progress report in December 2018.

In its October 2018 opinion, the European Court of Auditors concluded that the reform package addressed some of the system's weaknesses, in particular by phasing out all the correction mechanisms, but that the EU's financing system would remain complex. Considering the underlying assumptions not always fully robust, the Court recommended that the Commission review its legislative proposals on new own resources to assess the likelihood of introducing the CCCTB-based own resource during the next MFF, the impact of the ETS-based own resource's volatility, and the possible effect of behavioural changes on the estimated proceeds of the own resource based on plastic packaging waste. In addition, the Court argued that the new VAT-based own resource would simplify the calculation, but would not strengthen the link to actual VAT proceeds, recommending that the relevant proposal be reconsidered and, if kept, modified.

On 5 November 2018, Parliament's Committee on Budgets (BUDG) adopted an interim report (rapporteurs: Jan Olbrycht, EPP, Poland; Isabelle Thomas, S&D, France; Janusz Lewandowski, EPP, Poland; and Gérard Deprez, ALDE, Belgium) that reaffirms and details Parliament's position on the overall MFF package for 2021 to 2027, including own resources. The report welcomes the proposals on EU revenue as an important step and supports even more ambitious reform, inviting the Commission to take into account the opinion of the European Court of Auditors, which highlights the need for further simplification and better calculation. The interim report, which is scheduled for a vote in plenary in November 2018, aims to facilitate negotiations with the Council with a view to reaching an agreement.

EP SUPPORTING ANALYSIS

- D'Alfonso A., How the EU budget is financed: The 'own resources system' and the debate on its reform, EPRS, European Parliament, 2014.

- D'Alfonso A., Annual revision of national contributions to the EU budget, EPRS, European Parliament, 2014.

- D'Alfonso A., The UK 'rebate' on the EU budget: An explanation of the abatement and other correction mechanisms, EPRS, European Parliament, 2016.

- D'Alfonso A., The future of EU finances, EPRS, European Parliament, 2017.

- Parry M. and Sapała M., 2021-2027 multiannual financial framework and new own resources: Analysis of the Commission's proposals, EPRS, European Parliament, 2018.

- Schratzenstaller-Altzinger M., The next Multiannual Financial Framework (MFF), its Structure and the Own Resources, Policy Department for Budgetary Affairs, European Parliament, 2017.

OTHER SOURCES

System of own resources of the European Union, European Parliament, Legislative Observatory (OEIL).

Implementing measures for the system of own resources of the European Union, European Parliament, Legislative Observatory (OEIL).

Making available the own resources based on the common consolidated corporate tax base, on the European Union emissions trading system and on plastic packaging waste that is not recycled, and measures to meet cash requirements, European Parliament, Legislative Observatory (OEIL).

Collection of own resources accruing from value added tax, European Parliament, Legislative Observatory (OEIL).

ENDNOTES

1 For an overview of correction mechanisms see A. D'Alfonso, The UK 'rebate' on the EU budget: an explanation of the abatement and other correction mechanisms, EPRS, European Parliament, 2016.

2 A. D'Alfonso, Annual revision of national contributions to the EU budget, EPRS, European Parliament, 2014.

3 See, for example, M. Schratzenstaller, 'Reform options for the EU's system of own resources', *Revue de l'OFCE*, Vol. 132, No. 1, 2014, pp. 327-355.

4 The operating budgetary balance is produced by an accounting method that calculates the difference between the payments into and the receipts from the EU budget for each Member State. Based on a number of assumptions, the operating budgetary balance is instrumental in the calculation of the UK rebate, and can contribute to the perception of the EU budget as a zero-sum game with net contributors and net receivers. The European Commission draws attention to the accounting nature of the method, stressing that it fails to capture the broader picture of the EU budget and the positive spill-over effects of EU policies and expenditure across the entire Union.

5 EP resolutions that address the topic include: Resolution of 11 March 1999 on the need to modify and reform the European Union's own resources system (OJ C 175, 21.6.1999, p.238); Resolution of 29 March 2007 on the future of the European Union's own resources (P6_TA(2007)0098); Resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (P7_TA(2011)0266); and Resolution of 14 March 2018 on reform of the European Union's system of own resources (P8_TA(2018)0076).

6 In addition, examining other revenue assigned to EU decentralised agencies, whose budgets are separate from the EU budget, Parliament has asked for a consistent approach as regards the financing of agencies from fees.

7 High-Level Group on Own Resources, First Assessment Report, 17 December 2014.

8 The fact that the VAT-based resource is a component for the calculation of the UK rebate has often been indicated as an obstacle to the reform or abolition of this own resource.

[9] J. Núñez Ferrer, J. Le Cacheux, G. Benedetto and M. Saunier, Study on the potential and limitations of reforming the financing of the EU budget, 2016.

[10] European Commission, Reflection paper on the future of EU finances, COM(2017) 358 final, 28 June 2017.

[11] European Commission, A new, modern multiannual financial framework for a European Union that delivers efficiently on its priorities post-2020, COM(2018) 98 final, 14 February 2018.

[12] The interinstitutional conference with national parliaments on the future financing of the EU took place in Brussels on 7- 8 September 2016.

[13] This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

[14] The procedure for the Own Resources Decision, which was adopted in May 2014, took even longer, almost three years.

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