

THE UNION'S REVENUE

The EU budget is financed in large part from own resources, and supplemented by other revenue. Annual revenue must completely cover annual expenditure, as a budget deficit is not allowed. The system of own resources is decided by the Council on the basis of unanimity, having regard to the opinion of the European Parliament, and needs to be ratified by each Member State. A reform of the own resources system was proposed by the Commission together with the proposal for the multiannual financial framework 2028–2034.

LEGAL BASIS

- Articles 311 and 322(2) of the Treaty on the Functioning of the EU and Articles 106a and 171 of the Treaty establishing the European Atomic Energy Community;
- [Council Decision \(EU, Euratom\) 2020/2053 of 14 December 2020](#) on the system of own resources of the European Union;
- [Council Regulation \(EU, Euratom\) 2021/768 of 30 April 2021](#) laying down implementing measures for the system of own resources of the European Union;
- [Council Regulation \(EU, Euratom\) No 609/2014 of 26 May 2014](#) on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements, later amended by [Council Regulation \(EU, Euratom\) 2022/615 of 5 April 2022](#);
- [Council Regulation \(EU, Euratom\) 2021/769 of 30 April 2021](#) on the definitive uniform arrangements for the collection of own resources accruing from value added tax;
- [Council Regulation \(EU, Euratom\) 2021/770 of 30 April 2021](#) on the calculation of the own resource based on plastic packaging waste that is not recycled, on the methods and procedure for making available that own resource, on the measures to meet cash requirements, and on certain aspects of the own resource based on gross national income.

OBJECTIVE

To provide the EU with financial autonomy within the bounds of budgetary discipline.

HOW IT WORKS

The [Own Resources Decision of 21 April 1970](#) provided the European Economic Community (EEC) with its own resources. In accordance with Council Decision (EU, Euratom) 2020/2053 of 14 December 2020, the level of own resources that can be called on per year is currently limited to a maximum of 1.4% of EU gross national income (GNI). As overall spending cannot exceed total revenues, expenditure is also

restricted by this ceiling under the current 2021–2027 multiannual financial framework (MFF) ([1.4.3](#)).

REVENUE COMPOSITION

1. Own resources

'Traditional' own resources (ToR) mostly consist of customs duties on imports, and have been collected since 1970. The percentage that may be retained by Member States to cover collection costs is 25%. 'Traditional' own resources usually account for around 10–15% of own resource revenue^[1].

The VAT-based own resource consists of the transfer of a percentage of the estimated value added tax (VAT) collected by the Member States to the Union. Although provided for in the 1970 decision, this resource was not applied until the VAT systems of the Member States were harmonised in 1979. The VAT resource now accounts for around 10% of own resource revenue.

The 'plastic' own resource was introduced as of 1 January 2021 by the 2020 Own Resources Decision. It is a national contribution (direct transfer from Member State budgets) on the basis of the quantity of non-recycled plastic packaging waste, with a uniform call rate of EUR 0.80 per kilogram. The contributions of Member States with a gross national income per capita below the EU average are reduced by an annual lump sum corresponding to 3.8 kilograms of plastic waste per capita. The revenue from this resource provides around 3–4% of own resources revenue.

The GNI-based own resource consists of a uniform percentage levy on Member States' GNI set in each year's budget procedure, and was created by [Council Decision 88/376/EEC, Euratom of 24 June 1988](#). Originally it was only to be collected if the other own resources did not fully cover expenditure, but it now finances the bulk of the EU budget. The GNI-based resource has tripled since the late 1990s, and now makes up around 60–70% of own resource revenue.

2. Other revenue and the balance carried over from the previous year

Other revenue includes taxes paid by EU staff on their salaries, contributions from non-EU countries to EU programmes, interest payments and fines paid by companies found in breach of EU laws. If there is a surplus, the balance from each financial year is entered in the budget for the following year as revenue. Other revenue, balances and technical adjustments usually make up around 2–8% of total revenue.

Borrowing is also accounted under 'other revenue', and currently amounts to 25–30% of the budget. The EU budget cannot run a deficit, and funding its expenditure through borrowing is not allowed. However, in order to finance the grants and loans provided by the NextGenerationEU (NGEU) recovery scheme, the Commission was authorised on an exceptional and temporary basis to borrow up to EUR 750 billion (in 2018 prices) on capital markets. New net borrowing should stop at the end of 2026, after which only refinancing operations will be allowed.

[1] [Consolidated Annual Accounts of the European Union for the Financial Year 2021](#).

3. Correction mechanisms

The own resources system has also been used to correct budgetary imbalances between Member States' net contributions. Although the 'UK rebate' introduced in 1984 no longer applies, lump sum corrections continue to reduce the contributions made by Denmark, Germany, the Netherlands, Austria and Sweden over the 2021–2027 period.

TOWARDS THE REFORM OF EU OWN RESOURCES

The Treaty of Lisbon reiterated that the budget should be financed wholly from own resources, and maintained the power of the Council, after consulting Parliament, to unanimously adopt a decision on the system of own resources of the Union^[2], to establish new categories of own resources and abolish existing ones. It also established that the Council can only adopt the implementing measures for these decisions with the consent of Parliament, strengthening Parliament's position in the process.

Building on the new provisions of the Treaty of Lisbon, Parliament has repeatedly called for an in-depth reform of the system of own resources in a number of positions and resolutions in recent years^[3]. With a view to achieving a more stable EU budget designed to support EU policy objectives, Parliament expressed the need for an ambitious and balanced basket of new EU own resources that is fair, simple, transparent and fiscally neutral for citizens. Parliament also pushed for reforms to make revenue collection simpler, more transparent and more democratic, to reduce the share of GNI contributions and to phase out all forms of rebate.

In January 2017, the high-level 'Monti' group presented its [final report](#) on more transparent, simple, fair and democratically accountable ways to finance the EU budget. It concluded that the EU budget needed reform, on both the revenue and the expenditure sides, so as to be able to address current challenges and achieve tangible results for EU citizens.

Based on this report and the subsequent [reflection paper on the future of EU finances](#), the Commission made a [proposal on 2 May 2018](#) to introduce a basket of new own resources^[4], which was not adopted.

RECENT ATTEMPTS TO REFORM THE EU'S REVENUE

At the European Council meeting of 17–21 July 2020, the Heads of State or Government agreed on the 2021–27 MFF, the Next Generation EU (NGEU) instrument,

[2] Any such decision needs to be ratified by the Member States.

[3] [Position of 17 December 2014](#) on the system of the European Communities' own resources; [position of 16 April 2014](#) on the draft Council decision on the system of own resources; [resolution of 6 July 2016](#) entitled 'Preparation of the post-electoral revision of the MFF 2014–2020: Parliament's input ahead of the Commission's proposal'; [resolution of 26 October 2016](#) on the mid-term revision of the MFF 2014–2020; [resolution of 24 October 2017](#) on the Reflection Paper on the Future of EU Finances; [resolution of 14 March 2018](#) on reform of the European Union's system of own resources; [resolution of 30 May 2018](#) on the 2021–2027 multiannual financial framework and own resources; [resolution of 14 November 2018](#) on the Multiannual Financial Framework 2021–2027; [resolution of 10 October 2019](#) on the 2021–2027 multiannual financial framework and own resources: time to meet citizens' expectations.

[4] The Court of Auditors delivered an opinion on the proposals on 29 November 2018 ([Opinion No 5/2018](#)).

raising the ceiling for payments and the new own resource based on non-recycled plastic waste to be applied from January 2021.

The NGEU was based on the [Commission proposal of 28 May 2020](#), to borrow up to EUR 750 billion by issuing bonds on the international markets on behalf of the EU with maturities of between 3 and 30 years, in order to counter the effects of the COVID-19 pandemic. To underpin the liabilities incurred by the EU to eventually reimburse the market finance raised, the Commission proposed to raise the own resources ceiling exceptionally and temporarily by 0.6% of the EU's GNI on top of the proposed permanent increase from 1.2% to 1.4% of GNI in order to take account of the new economic context.

In response, in its [resolution of 23 July 2020](#), Parliament stressed that only the creation of additional new own resources can help to repay the EU's debt that resulted from the NGEU-related borrowing, while salvaging the EU budget and alleviating the fiscal pressure on national treasuries and EU citizens. [Parliament's position of 16 September 2020](#) under the consultation procedure reiterated calls for the introduction of new own resources following a roadmap.

On 10 November 2020, Parliament, Council and Commission negotiators reached a political agreement on the MFF, own resources and certain aspects concerning the governance of the recovery instrument. As a result, a new annex to the [Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and sound financial management](#) established a roadmap for the introduction of new own resources over the 2021–2027 period to cover the repayment of the NGEU debt.

The new Own Resources Decision was adopted on 14 December 2020 and then ratified by all Member States by 31 May 2021, and has applied retroactively since 1 January 2021.

Subsequently, two Commission proposals were published on 22 December 2021 and 20 June 2023^[5]. These comprised own resources based on revenues from the EU Emission Trading System (ETS) allowances auctioned, income generated by the carbon border adjustment mechanism (CBAM), and a temporary statistical own resource on company profits (to be replaced by a genuine own resource based on corporate taxation).

Lacking Council approval of the basket, the Commission published a new [proposal on the system of own resources of the EU](#) on 16 July 2025. This includes the previously proposed new own resources of 75% of the CBAM income and 30% of ETS1 revenues (while excluding ETS2). It establishes new own resources based on non-collected e-waste (EUR 2 per kg), excise duties on tobacco and related products (15% on the minimum excise duty), and an annual lump sum contribution of large companies operating in the EU (up to 0.1% of their net turnover). The proposal also includes adjustments to the existing own resources, such as the reduction of the collection costs for traditional own resources (from 25% to 10%), and amendments to the plastic own resource (increasing rate to EUR 1 per kg with further adjustment to inflation). It also clarifies that fees from e-commerce belong to ToR, and abolishes exemptions

[5][COM\(2021\)0570](#) and [COM\(2023\)0330](#).

for low value parcels. Finally, it suggests discontinuing all adjustments, including lump sum gross national income rebates, a capping of the VAT base, and reductions for the plastic own resource.

The proposed package is expected to generate 40% of the current annual budget: around 6% would come from the ETS, 1% from the CBAM, 10% from the e-waste, 7.5% from the tobacco, 4.5% from the corporate own resource and another 10% from adjustments to existing own resources.

THE EUROPEAN PARLIAMENT'S VIEWS ON THE REFORM PROPOSALS

During the consultation procedure on the 2021 basket of new own resources, [Parliament broadly endorsed the proposal](#), with some amendments. Parliament also adopted [a resolution on 10 May 2023](#) urging the Council to adopt the basket and suggesting additional new own resources. Later, in its [resolution of 9 November 2023](#), Parliament approved the proposal for the second package with some amendments.

Most recently, in its [resolution of 7 May 2025](#), Parliament again 'calls on the Council to adopt new own resources as a matter of urgency' and 'stresses that new genuine own resources, beyond the IIA, are essential'.

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