



New Own Resources and Corrections

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2nd high-level Conference

with national parliamentarians co-sponsored by the European Parliament,
the Danish Presidency of the Council and the European Commission

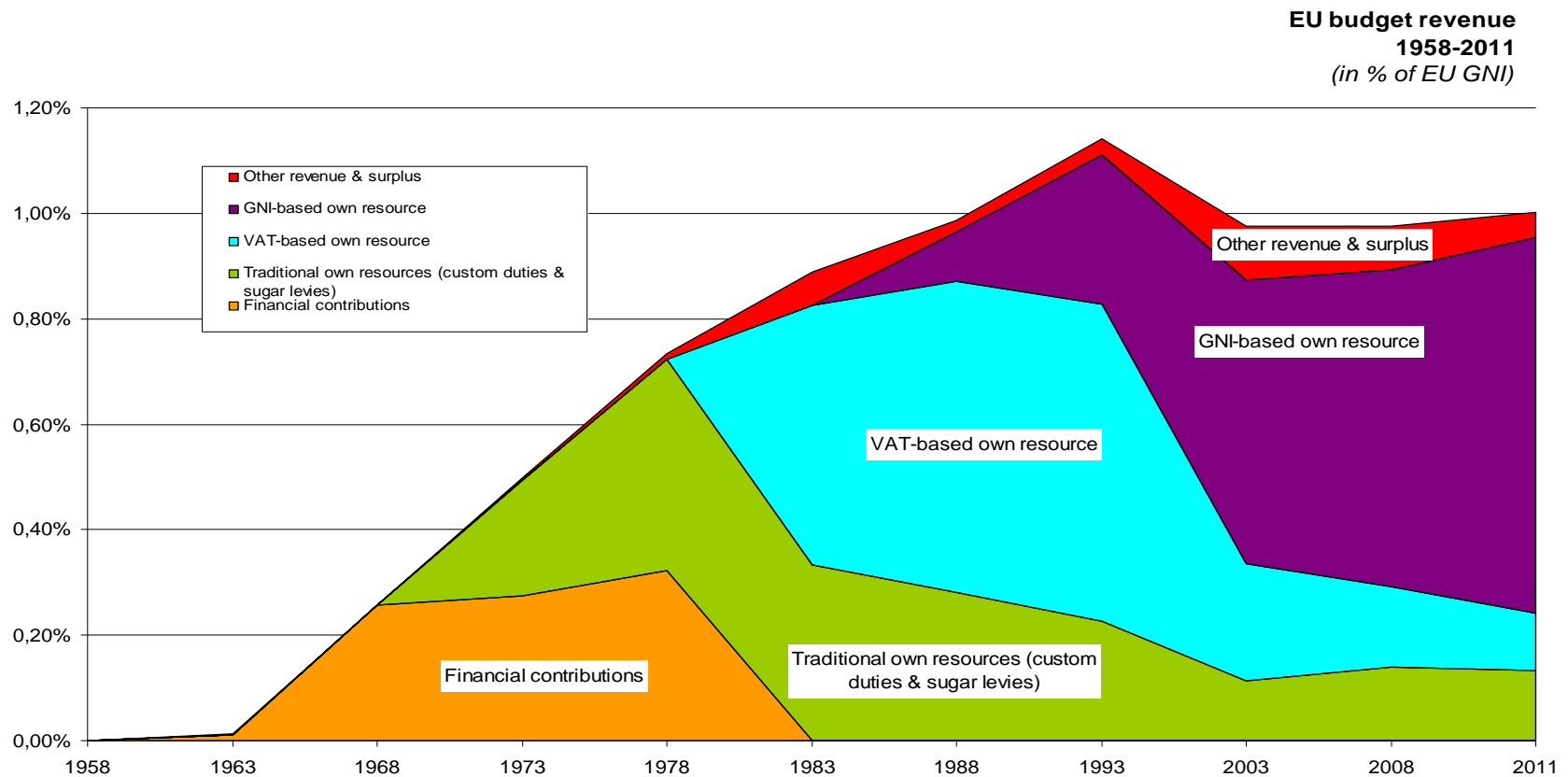
Brussels, Thursday 22 March 2012

The Treaty says...

The Union shall provide itself with the means necessary to attain its objectives and carry through its policies.

Without prejudice to other revenue, the budget shall be financed wholly from own resources.

However, the reality looks increasingly different...



The answer – the Commission proposal of June 2011

A new own resources system:

- End statistical VAT own resource as of 2014
- Introduce 2 new own resources
 - ***New VAT own resource***
 - ***Financial Transaction Tax based own resource***
- Radically simplify the system of corrections

In **comparison** with current system:

- Simpler
- Fairer
- More transparent

New VAT own resource

Why choose VAT as one of the new resources?

- VAT is a visible broad-based tax established throughout the EU. It is the tax of the single market – a small share should accrue to the level which ensures that the market functions effectively.
- Fits in with the renewed attempts to make the VAT system more efficient and effective, set out in the Communication on the future of VAT*.
- Direct link to the EU-VAT policy: own resource is a fixed share of real VAT receipts in Member States.
- Simplification of VAT own resource calculation.
- Equal treatment of all Member States.

Proposals for the new VAT own resource

When – From 1 January 2014 (perhaps retroactively)

What rate - Maximum rate (2%) in ORD with operative rate (1%) in implementing Regulation.

What is different - Focus solely on those supplies standard-rated in every Member State

Watchwords – simplicity and transparency

Financial transaction tax – What the COM has proposed

FTT:

- Broad based
- Low tax rates
- Residence principle

Own Resource based on FTT:

- 2/3 of revenues to EU budget as new OR,
- 1/3 of revenues directly to national budgets

EU wide FTT: Why?

- Financial sector would contribute a fair share to the cost of financial crisis
- Harmonised framework at EU level
 - *Internal market: level playing field for financial services*
 - *Avoids distortions linked to double or non taxation*
 - *Discourages risky trading activities*
 - *Strong signal for a global FTT*
- New revenue stream offers Member States extra room for manoeuvre in their national budgets
- Major contribution to fiscal consolidation

Conclusion: Direct link to EU policy objectives and harmonised tax base
=> ideal candidate for a new own resource

EU wide FTT: Estimate of total revenues

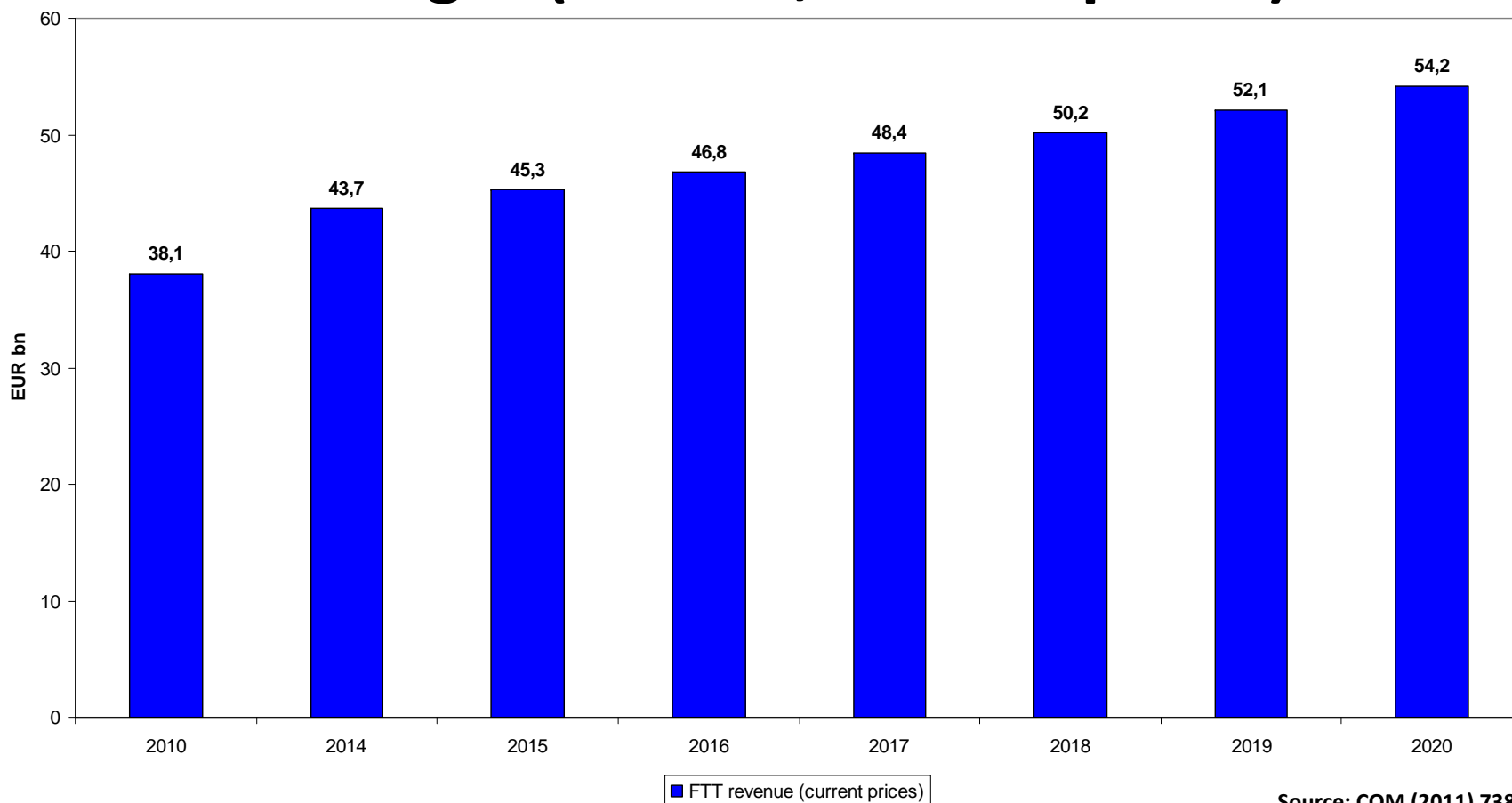
- COM estimated that, based on the final FTT proposal of September 2011 and data for 2010,
 - **EUR 57 bn** total tax revenues could be raised comprising
 - **EUR 19.4 bn** from all bonds and stock transactions at a rate of 0.1 %
 - **EUR 37.7 bn** from derivatives on exchanges and OTC at a tax rate of 0.01%

for financial institutions at each side of the transaction.

Estimate for FTT based OR revenues

- **Two-thirds of total revenue accrue to EU budget**
(incentive for proper tax enforcement at Member States level)
- Assumption that taxable transaction volume develops in proportion to nominal GNI

FTT revenue potentially accruing to the EU budget (EUR bn, current prices)



Source: COM (2011) 738

FTT based OR: Impact per Member State I

Like customs duties (TOR), FTT is a genuine own resource

- generated by the functioning of the internal market,
- with an economic incidence significantly wider than the territory of Member States

Moreover, no data source available to estimate revenues per Member State according to taxation based on residence principle

Conclusion:

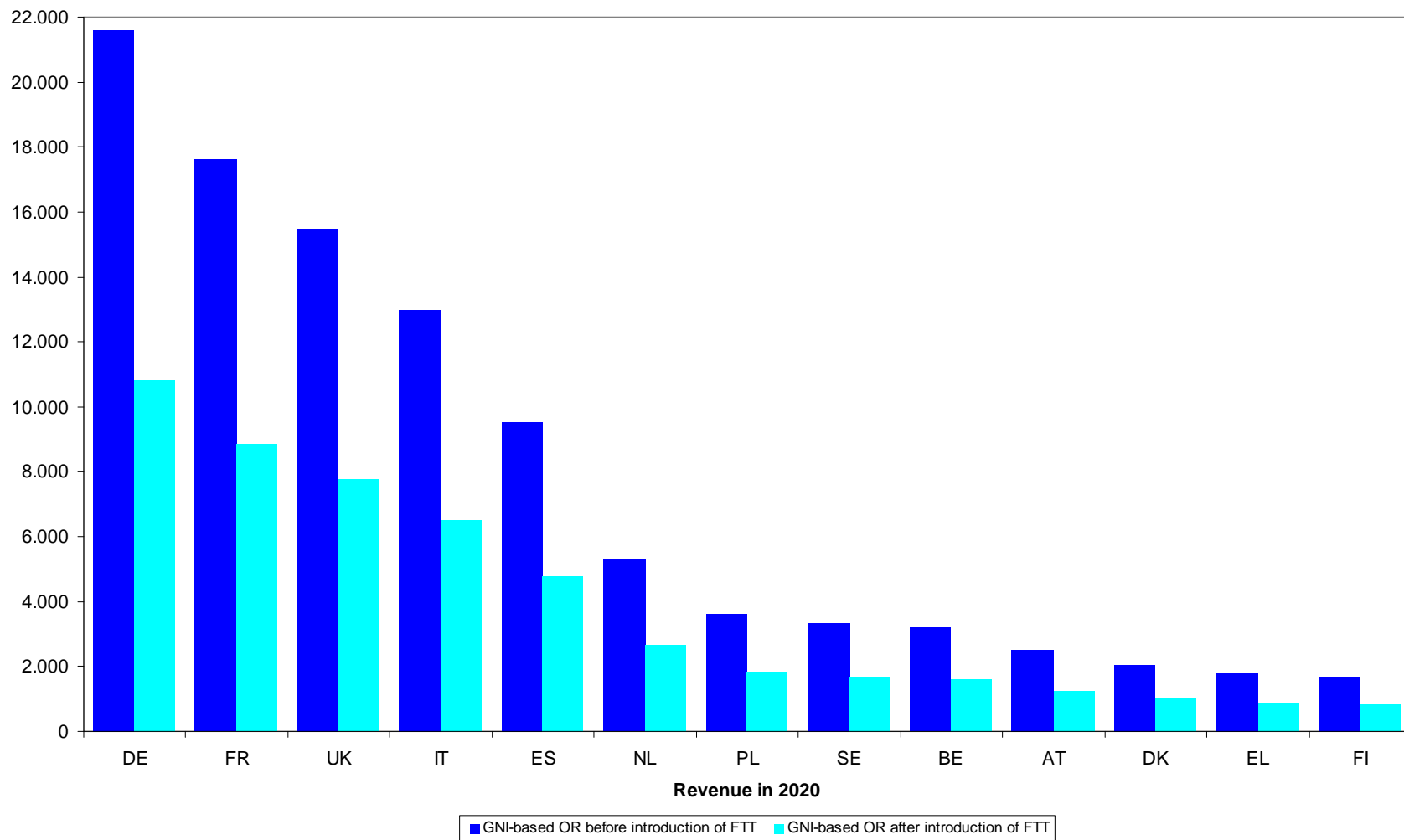
FTT based OR revenues could not and should not be attributed to individual Member States

=> Revenues reduce overall and automatically the balancing GNI based national contribution of Member States

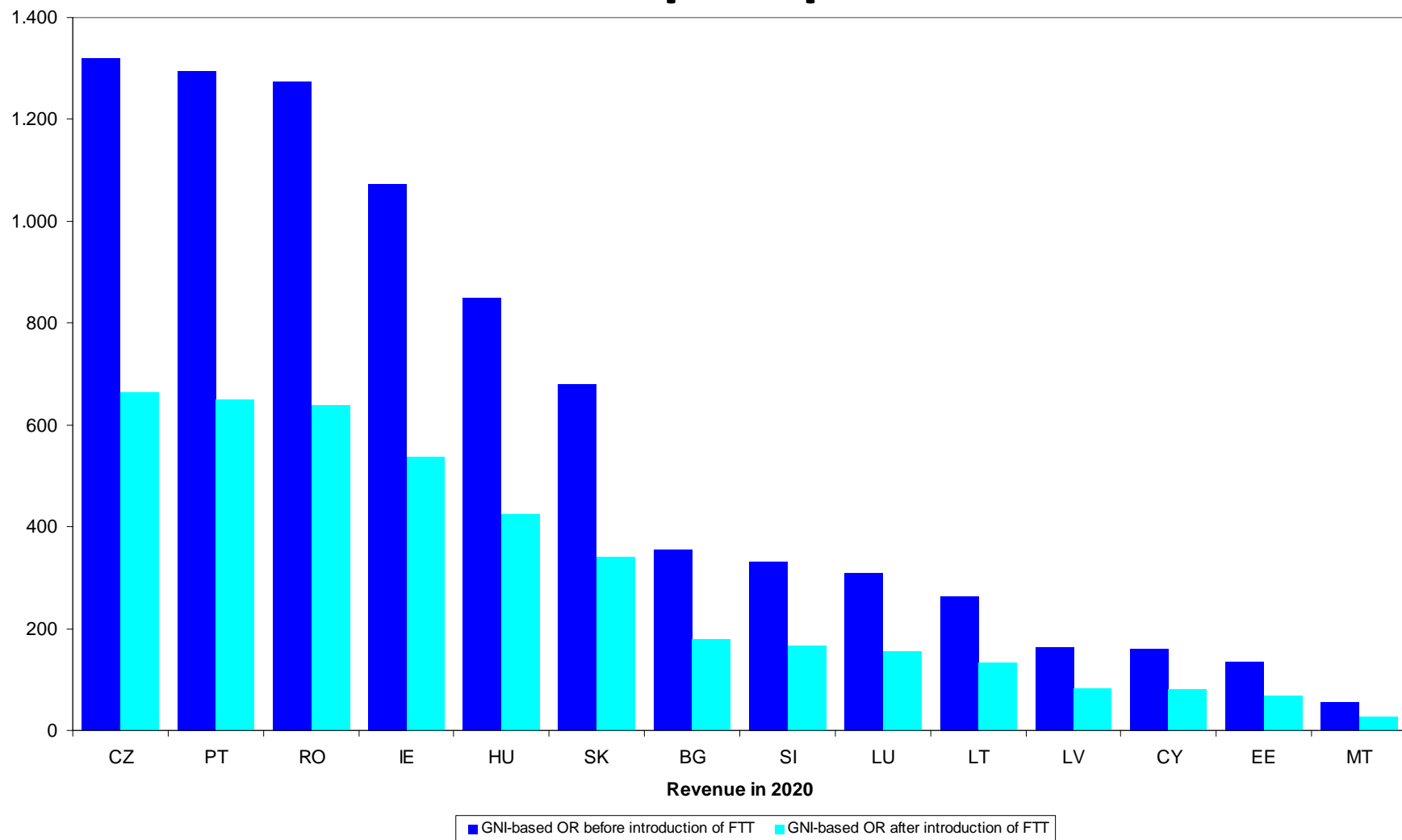
FTT based OR – Reduction of GNI based national contribution (before corrections) for each Member State:

50 %

FTT based OR: Impact per Member State II

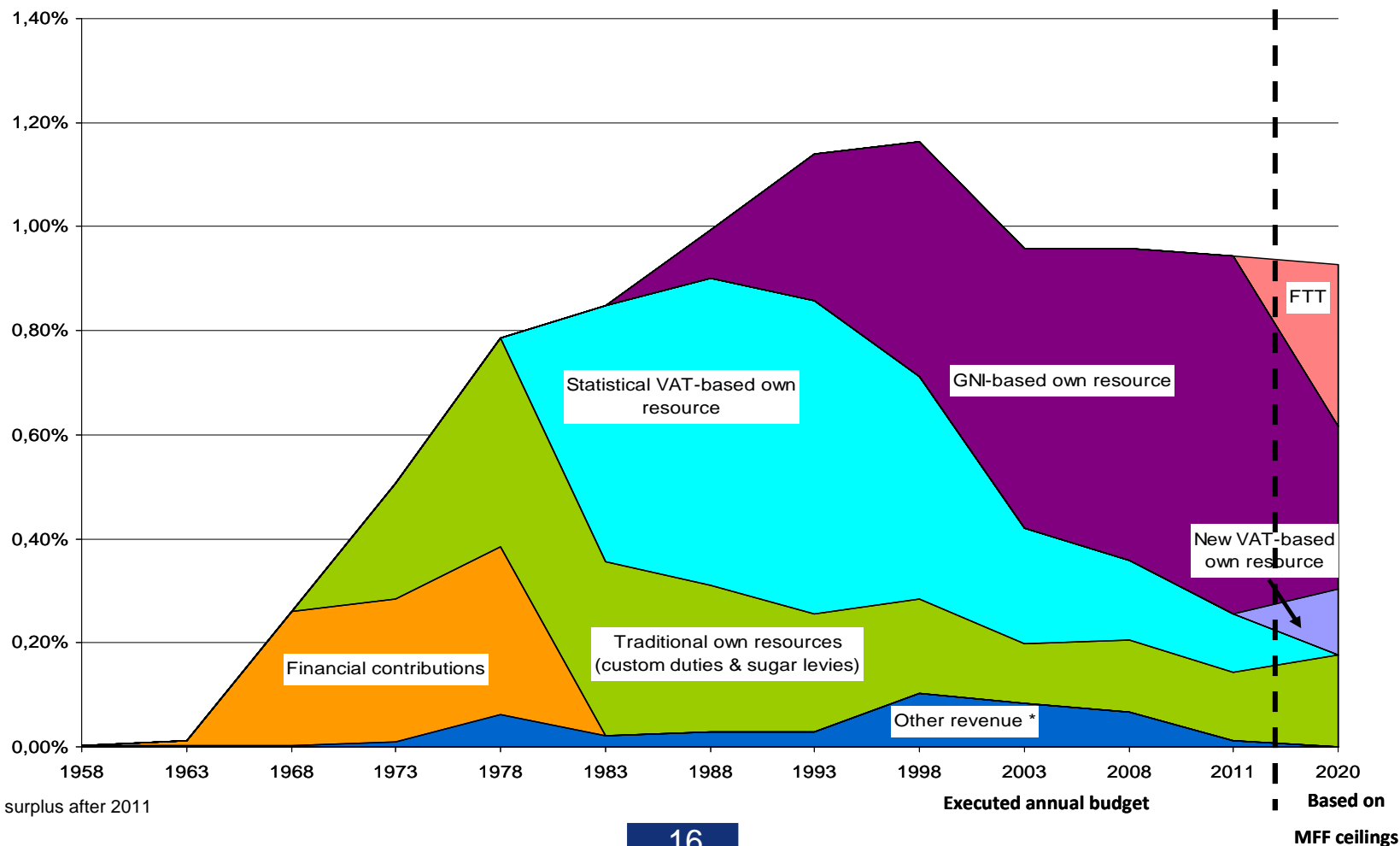


FTT based OR: Impact per Member State II



Development of Own Resources between 1958 and 2020

EU budget revenue
1958-2011
(in % of EU GNI)



* Without surplus after 2011

Correction mechanisms

Commission proposal:

- Replace all corrections mechanisms by a system of fixed annual lump sums for 2014-2020
- Based on Fontainebleau principle:
"any member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time."

Advantages:

- Fairness - equal treatment of the Member States
- Simplicity and transparency
- Lump-sum correction mechanism to correspond to MFF duration
- Avoids disincentives for implementing EU-expenditure

New system of corrections – lump sums

| LUMPSUMS ADJUSTED FOR RELATIVE PROSPERITY | |
|---|--|
| <i>(in million of euro / in current prices)</i> | Average annual lumpsum 2014-2020 |
| | GROSS AMOUNT |
| DE | 2500 |
| NL | 1050 |
| SE | 350 |
| UK | 3600 |
| TOTAL | 7500 |