European Commission

EU BUDGET FOR THE FUTURE

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MODERNISING THE REVENUE SOURCES OF THE EU BUDGET

The revenue sources of the EU budget have remained the same over the last decades: **customs duties**, contributions based on **value added tax** (VAT) and contributions based on **gross national income** (GNI).

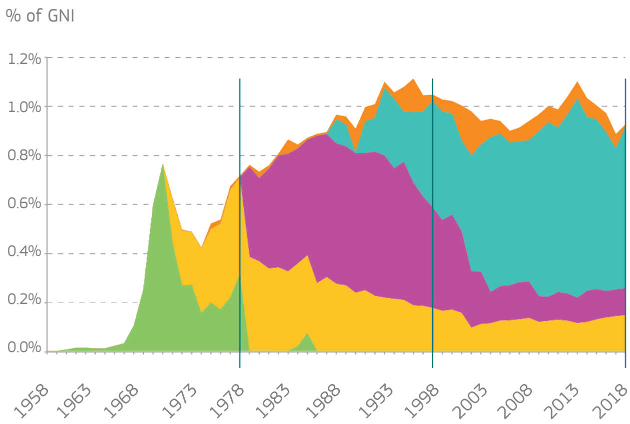
- **Customs duties** are levied on economic operators, collected at the external borders of the EU and go directly to the EU budget. Member States retain 20% of the amount as collection costs.
- The current **VAT** bases of all Member States are harmonised through a complex statistical process before a uniform rate of 0.3% is levied on each Member State, with some exceptions.
- The **GNI** own resource finances the part of the budget not covered by other revenues. The same percentage is levied on each Member State's GNI. The rate is fixed as part of the annual budgetary procedure. Some Member States benefit from a reduction.

Examples of other sources of revenue are taxes on EU staff salaries, contributions from non-EU countries to certain programmes and fines on companies for breaching competition rules.

The amount of revenue — own resources + other revenue — needs to match the amount of expenditure financed by it. The EU can neither borrow money nor run a deficit — the EU budget is always balanced.

HOW HAS THE EU REVENUE DEVELOPED OVER THE YEARS?

After the introduction of own resources (Treaty of Luxembourg, 1970), the customs duties component has relatively decreased over time, as a consequence of globalisation and trade liberalisation. The same holds true for the VAT-based own resource, whereas the share of the EU budget financed through GNI-based contributions has increased substantially since its introduction.



Financial contributions
Customs duties
Statistical VAT-based own resource
GNI-based own resource
Other revenue

HOW COULD THE OWN RESOURCES SYSTEM BE REFORMED?

About 80% of the EU budget is financed from national contributions based on VAT and GNI. While these contributions provide a stable and sufficient source of income for the EU budget, they are sometimes considered a cost factor to be minimised by Member States instead of focussing on the EU added value. Over the years, some Member States have negotiated adjustments and 'rebates', making the current financing arrangement increasingly complex. There is now a strong case for eliminating all such corrections.

The European Union is currently considering additional or alternative revenue sources that would not only bring revenue to the budget, but also help achieve policy objectives and better share the benefits of the EU market.

There are several **possible sources** of revenue which are being considered to finance the EU budget.

SUSTAINABILITY

Revenue based on the **Emission Trading Scheme** would support EU objectives linked to environment and climate change.

SINGLE MARKET

Revenue based on the **Common Consolidated Corporate Tax Base,** potentially combined with a digital component, or a harmonised **VAT**. These associated revenues would be linked to the harmonisation of rules and to the benefits of the single market.

ECONOMIC AND MONETARY UNION

A share of the income earned for the **issuance of euros** could accrue to the EU budget.

POTENTIAL REVENUE SOURCE	WHAT IS IT?	WHY SHOULD IT BE CONSIDERED?	HOW COULD IT WORK?	HOW MUCH COULD IT BRING TO THE EU BUDGET?(*)
Simplified VAT–based contributions	Consumption tax assessed on the value added to all goods and services sold in the EU.	A well-established EU-wide harmonised tax base building on the single market.	A simplified calculation. Call rate on a simplified VAT base.	€105 billion to €140 billion over 7 years.
Common consolidated corporate tax base including digital sector	The Common consolidated corporate tax base is a single set of common rules to calculate companies' taxable profits in the EU.	Large companies greatly benefit from the single market. A contribution based on a harmonised corporate tax base would reinforce the link between the benefits of the single market and the financing of the Union.	Each Member State will tax its share of the profits at its own national tax rate and an EU call rate could be introduced.	€21 billion to €140 billion over 7 years.
Revenues from the Emissions Trading System	The European Emissions Trading System is the cornerstone of EU climate policy. A number of 'allowances' are auctioned by Member States and purchased by companies to cover their greenhouse gas emissions.	Sizeable revenue generated on the basis of a fully integrated EU policy.	A share of the proceeds from the auctioning of allowances could be made available for the EU budget.	€7 billion to €105 billion over 7 years (depending on the carbon price).
Seigniorage	Seigniorage is the revenue which central banks and governments accrue from issuing money.	Monetary income of the European Central Bank for the issuance of the euro is directly linked to the Economic and Monetary Union.	A share of the net profits paid out to national treasuries could be made available for the EU budget.	€10.5 billion to €56 billion over 7 years.

* depending on tax base and the call rates applied.