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WORKING PAPER

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INFORMATION

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To:	Working Party on Own Resources
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Subject:	MFF 2021-2027 - OR legislative package: Fiche No 44 - Follow-up to the oral and written questions raised by MS in the context of the WP on Own Resources

Delegations will find attached the Commission's follow-up to the oral and written questions raised by MS in the context of the WP on Own Resources.

(All WK documents containing the fiches and presentations mentioned by the Commission on p. 3 of Fiche No 44 are listed above.)



EUROPEAN COMMISSION

**Multiannual Financial
Framework 2021-2027**

Fiche No. 44

14 SEPTEMBER 2018

WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Follow-up to the Questions raised by the Member States

This document provides an overview of answers to the oral and written questions submitted by Member States in the context of the Working Party on Own Resources.

For the purpose of this overview, submitted questions have been regrouped wherever relevant in order to keep the length of this fiche reasonable. Answers have for the same reason been kept concise.

This document summarises or complements information already or yet to be provided in the context of the Working Party on Own Resources.

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LIST OF FICHES AND PRESENTATIONS

Fiche 2: Macroeconomic assumptions and Gross National Income forecasts (18 May 2018)

Fiche 3: Growth Rates 2019-2027 (31 May 2018)

Fiche 7: Assumptions underlying the Commission projections of traditional own resources, Value Added Tax-based own resources, new own resources and other revenue (12 June 2018).

Fiche 8: Emissions Trading System based Own Resources (12 June 2018).

Fiche 9: National Contribution based on Plastic Packaging Waste that is not Recycled (12 June 2018).

Fiche 10: Other Revenues (12 June 2018).

Fiche 11: Clarifications on the reformed Value Added Tax-based own resource proposal (12 June 2018).

Fiche 19: Common Consolidated Corporate Tax Base (3 July 2018).

Fiche 29: Simplified Value Added Tax-based Own Resource and new Own Resources: estimates per Member State – 2021-2027 (20 July 2018).

Fiche 36: Increasing the Own Resources Ceiling (31 July 2018).

Fiche 42: Phasing out of Corrections (3 September 2018).

Presentation of 29 May 2018: Value Added Tax.

Presentation of 29 May 2018: A Reformed Own Resources System.

Presentation of 15 June 2018: Emissions Trading System Based Own Resource.

Presentation of 15 June 2018: Plastic Based Own Resource.

Presentation of 6 July 2018: A new own resource stemming from the Common Consolidated Corporate Tax Base.

Presentation of 20 July 2018: Assumptions and Impacts for the reformed own resource system.

HORIZONTAL QUESTIONS

Legislative Package

- **The Commission has proposed several new Own Resources. Has the Commission carried out geographical impact studies of the basket of the proposed new Own Resources and can these be made available? (BE)**

Answer

- Fiche 29 of 20 July 2018 provides an estimated breakdown of the impact of introducing the simplified Value Added Tax-based Own Resource and the basket of new Own Resources.

- **Call rates are not clearly established in the Commission's Own Resources Decision proposal. Nevertheless, these call rates are fixed in the proposal of Regulation laying down implementing measures for the EU Own Resources (legislative procedure). Could the Commission elaborate on the reasons behind this? (BE)**
- **Can the Commission provide some explanations concerning the maximum call rates to be applied under the Decision and the call rates applicable by the Implementing Regulation and also for the need for that flexibility in all new and reformed Own Resources, since Gross National Income-based Own Resource still operates as a complementary resource? (PT)**

Answer

- Article 311 fourth paragraph of the Treaty on the Functioning of the European Union foresees an implementing Regulation subject to a procedure which includes the consent of the European Parliament. As regards the proposed legal architecture of the Own Resources Package, the Commission introduced some flexibility in case of any future development, which Member States themselves would consider significant enough to be worth modifying the Implementing Regulation. The lengthy procedure of approval and ratification of the Own Resource Decision itself, in fact, makes any amendment during the Multiannual Financial Framework highly unlikely.
- The maximum call rates in the Own Resources Decision have been set at levels which would allow for some adjustments in the composition of the revenue components without compromising the predictability for Member States' treasuries that arises from the binding nature of the Own Resources Decision. If call rates were set at the maximum level, the residual Gross National Income-based contributions would decrease correspondingly. Commission services calculations show that with all call rates at the maximum level, Gross National Income-based contributions would on average go down to 37% of total EU revenues in the 2021-2027 period.

- Beyond the additional flexibility, the proposal will ensure an increased parliamentary oversight for the applicable call rates and a moderate degree of discretion in adjusting the composition of the revenue side. The size of the budget and the Own Resources ceilings are not subject to this procedure.

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| <ul style="list-style-type: none"> • Does the adoption of several of the proposals for new Own Resources require ratification by national and regional parliaments? (BE) |
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Answer

- Yes. The Own Resource Decision will need to be ratified by Member States in accordance with their constitutional requirements (Article 311 Treaty on the Functioning of the European Union, third paragraph).

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|---|
| <ul style="list-style-type: none"> • Regulation No 608/2014 (Implementing Regulation) is to be repealed and replaced by a new Implementing Regulation. Why is this not the case for Regulation No 609/2014 (Making Available Regulation)? There is a proposal for a Making Available Regulation for new Own Resources only. Regulation No 609/2014 for Value Added Tax based and Gross National Income based Own Resources is sustained, so there would be two similar acts concerning the same issue. (PL) |
|---|

Answer

- The Making Available Regulation was subject to an extensive review two years ago. No Member State has approached the Commission regarding an amendment until adoption of the current package. It works well for the existing Own Resources and the Commission saw no imminent need for a review. Therefore the Commission chose to propose a second Making Available Regulation just for the new Own Resources.

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| <ul style="list-style-type: none"> • How does the Commission evaluate the changes in organisation and administrative burden for both Member States and Commission deriving from introducing new Own Resources with a new set of reports – namely forecasts and determination of the final bases and respective Own Resources - and control visits? (PT) |
|---|

Answer

- The presentations made during the meeting of 15 June 2018 on the Emission Trading System and Plastics address this question.
- With its proposals of 2 May 2018, the Commission strives to streamline the administrative procedures, including reporting requirements and control visits for the new Own

Resources. The additional requirements for Own Resource purposes – apart from those stemming from the underlying legislation (e.g. for the Common Consolidated Corporate Tax base Directive¹ or the Packaging and Plastic Packaging Waste Directive²) – are minimal and replicate the existing ones in terms of format and timing. As reported in the legislative financial statement annexed to the Making Available Regulation³, any additional burden stemming from the administration of new Own Resources is expected to be compensated by the lower burden stemming from the simplification of the Value Added Tax-based Own Resource. The impact at national level can be expected to be similar, i.e. minimal.

- **Could the Commission explain how does the current proposal reflect the intention declared in Protocol No 28? (HU)**

- **“The high contracting parties declare their intention of taking greater account of the contributive capacity of individual Member States in the system of Own Resources, and of examining means of correcting, for the less prosperous Member States, regressive elements existing in the present Own Resources system” (HU)**

- **Can the Commission provide the assessment of the equity and possible regressive aspects, stability and predictability for the new Own Resource proposed? (PT)**

Answer

- The proposed package takes into account the individual contributive capacity of Member States.

- **Does the Commission foresee specific derogations from the Stability and Growth Pact for any of the proposed Own Resources, particularly new ones such as that based on the Emissions Trading Systems auctioning proceeds? (LU)**

Answer

- Many sources of flexibility already exist within the Stability and Growth Pact and have been cautiously extended in recent years to cater for Member States undertaking structural reforms and/or increasing investment expenditure.

¹ Proposal for a Council Directive on a Common Corporate Tax Base (COM(2016) 685 final).

² European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste (OJ L 365, 31.12.1994, p. 10).

³ Proposal for a Council Regulation laying down implementing measures for the system of Own Resources of the European Union No. (COM(2018) 327 final).

- A common element of the flexibility provisions is that they address temporary factors, and not to recurring expenditure and revenue items, in order to preserve the sustainability of public finances, particularly for highly indebted economies.
- Against this background, the transfer of national contributions, including those stemming from the Emissions Trading System, to the EU budget can be considered
 - neither a "relevant factor" in the context of the excessive deficit procedure – in line with Article 2(3) of Regulation (EC) No 1467/97,
 - nor a "one-off measure" for the purpose of fiscal surveillance, within the meaning of Article 3 and 5 of Regulation on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies⁴.

Basket of Own Resources

- **Can the Commission provide annual data estimates on the bases and financing by type of new Own Resource and by Member State? (PT)**
- **In the meeting, Member States have asked the Commission to calculate all individual existing and proposed Own Resource by Member State and provide all assumptions used and sources of data (Value Added Tax base growth, Traditional Own Resources growth, input data on Common Consolidated Corporate Tax Base, Emissions Trading System (coupons, expected prices), plastic contribution (which data did the Commission take into account and growth of unrecycled waste?) (SI)**

Answer

- The answer to these questions is covered in Fiches No. 7 of 12 June 2018 on "Assumptions underlying the Commission projections of traditional own resources, Value Added Tax-based own resources, new own resources and other revenue" and No. 29 of 20 July 2018 on "A Reformed Own Resources System" and by the Presentation of 20 July 2018.

- **Why has the Commission chosen new Own Resources (i.e. Emissions Trading System and plastic-based Own Resource) that are unstable, too low to represent a significant**

⁴ Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

source of financing, and should disappear in the long run? What is more, they contradict the ability to pay principle and result in the situation that the less prosperous countries pay more in relation to their wealth. How does the Commission plan to ensure fairness among Member States in regards to those proposal of new Own Resources? (PL)

- In the legislative financial statement, the Commission underlines that basket of new Own Resources would enhance fairness whereas two out of three proposals evidently put an excessive burden on less prosperous Member States. What does the Commission mean by fairness and how would it be achieved? (PL)**

Answer

- As indicated in the Staff Working Document⁵ accompanying the proposal, the proposed Own Resources are in line with the EU priorities.
- As regards fairness aspects, the specific situation of low income Member States has been taken into account. For the Emissions Trading System-based Own Resources, this is explained in Fiche No. 8 of 12 June 2018. As regards the plastic-based Own Resources, the data show that the generation of plastic packaging waste is strongly correlated with Gross Domestic Product. Therefore, at constant recycling rate, low income Member States will pay less per capita than wealthy Member States.
- Furthermore, each individual Own Resource is part of a basket and also part of a comprehensive Multiannual Financial Framework package. It is the overall system and not each individual Own Resource that needs to be fair and reflect Member States' ability to pay.

- What are the assumptions regarding:**

- the level of extra-EU imports and the average tariff rate for years 2021-2027;

- the trend in annual Value Added Tax receipts for years 2021-2027;

- the auction clearing price for years 2021-2027 (Emissions Trading System);

⁵ Financing the EU budget: report on the operation of the own resources system accompanying the document Proposal of a Council Decision on the system of Own Resources of the European Union (SWD(2018)172 final).

- the future trends (years 2017-2027) for both the total volume of plastic packaging and the volume of recycled plastic packaging? (SK)

- Could the Commission provide the breakdown of these estimates both per Member State and per year? (SK)**

Answer

- The answers are included in Fiches No. 2, 3, 7, 8 and 29 and in the Presentation of 20 July 2018.
- As explained in Fiche No. 7 of 12 June 2018, customs duties are projected to grow according to the nominal Gross National Income or Gross Domestic Product of each Member State. No speculations are made on possible changes in tariffs and related changes in composition and volume of extra-EU imports.
- The impact of possible new trade agreements will depend on the combined effects of changes in tariffs, trade volumes and the composition of imports. Based on experience, these are difficult to predict with precision, partly cancel each other out and are not factored in in these projections.

- Could the Commission confirm that the estimates regarding the EU-27 Gross National Income for 2021-2027 are based on the Gross National Income forecast for 2019, published in the Spring 2018 economic forecast? (HU)**

Answer

- The EU-27 Gross National Income for 2021-2027 is indeed based on the spring 2018 forecast for 2019 and long-term (T+10) projections from 2020 onwards (Fiche 2 of 18 May 2018).

- The proposal for the Making Available Regulation for the Common Consolidated Corporate Tax Base, Emissions Trading System and plastic tax stipulates in Article 5(5) that each Member State shall send the Commission by 15 April an annual statement with its forecast and estimates of Own Resources (Common Consolidated Corporate Tax Base, Emissions Trading System and plastic contribution) for the current and following year. (SK)**
- Does this provision mirror the current practise in sending the estimates for Gross National Income and Value Added Tax prior to Advisory Committee Own Resources-forecast meeting? (SK)**

- **Will the same procedure as currently with Value Added Tax and Gross National Income resources apply after the transmission of the forecast – i.e. bilateral communication with the Commission and fixing the compromise value to be adopted during the consequent Advisory Committee Own Resources-forecast meeting? (SK)?**

Answer

- In principle, the existing and well-established annual procedures are a benchmark for the future budgeting and making available of new Own Resources and should be applied mutatis mutandis unless a different treatment is justified. Further details are addressed in the presentations of 29 May and 15 June 2018.

- **In the Commission Staff Working Document “Financing the EU budget: report on the operation of the Own Resources system”, accompanying the Proposal of a Council Decision on the system of Own Resources of the European Union (SWD(2018) 172 final), on p. 35 an important table is reported (Table 2). This table provides the distribution for each year of the 2021-2027 period of the contribution to the EU budget by type of Own Resource. It would be useful to have finer information on this distribution per year with higher detail in terms of decimal points. We ask this because for each year (i.e. column) the percentage shares in the table do not sum up to 100. In 2024, for example, the sum of the shares is 102. (IT)**

Answer

- The answer to this question is included in Fiche No. 29 of 20 July 2018.

- **Operating budgetary balances (OBB) are calculated in the framework of the UK rebate. In which context will it still be applied? Will the calculation method be maintained? How can the calculation method include the post-box effect in the future? (BE)**

Answer

- Operating Budgetary Balances are one method of calculating Member States' net positions. As pointed out in its Communication of 14 February 2018⁶, the Commission considers the focus on 'net balances' in the EU budget debate as misleading. Net balance calculations have fed the perception that EU budget negotiations are a zero sum game between net contributors and net beneficiaries. This misses the essence of the EU budget. Expenditure allocated to one Member State in reality benefits many others by creating

⁶ Communication from the Commission: A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 (COM(2018) 98 final).

market opportunities or improving infrastructure. EU spending also creates European public goods that benefit all. The benefits from stability, peace, common values, a level-playing field in Europe's Single Market, or a negotiating capacity which rivals the biggest global powers, do not show up in net balance calculations. The Commission proposals for the future Financial Framework are therefore shaped by the principle of European added value. By focusing on common policies and priorities and the areas where the EU budget can deliver public goods that national spending cannot, we can move beyond the 'net balance' debate. All Member States are net beneficiaries.

Own Resource Ceiling

- **We support current location of the European Development Fund outside Multiannual Financial Framework. What would be the Own Resources ceiling without the budgetisation of the European Development Fund? (AT)**
- **The need to increase the Own Resources ceiling seems to originate from three factors reducing the margin between the overall Multiannual Financial Framework ceiling and the Own Resources ceiling which is needed for the possible use of instruments outside the Multiannual Financial Framework ceilings including guarantees: (i) an increased overall ceiling of 1.11 % of Gross National Income compared to the current ceiling of 1.02 % of Gross National Income (according to the recent technical adjustment); (ii) the automatic reduction of the Own Resources ceiling by approximately 15 % in absolute figures due to Brexit; (iii) the proposed inclusion of the European Development Fund in the EU budget. (AT)**
- **Could the Commission provide the calculations showing the need of the proposed increase to 1.29 % of Gross National Income (payments) and 1.35 % (commitments) respectively? Could the Commission also show these calculations under the assumption that the Multiannual Financial Framework overall ceiling would remain at the current level of 1.02 % of Gross National Income? (AT)**

Answer

- The answers to these questions are included in Fiche No. 36 of 31 July 2018.

- **The increase of the Own Resources ceiling is justified i.a. by the possible creation of the stabilisation instrument for the euro area. What would be the role of the non-euro Member States in financing of such mechanism? Are any refunding schemes envisaged for non-participating Member States? (PL)**

Answer

- The rationale for the increase of the Own Resources ceiling is elaborated in Fiche No 36.

- Under the European Investment Stabilisation Function, the EU budget would guarantee back-to-back loans for euro area and the European Exchange Rate Mechanism ERM-II participating Member States, experiencing a large asymmetric shock. These loans would constitute a contingent liability for the EU budget, similarly to the Balance of Payments and the European Financial Stabilisation Mechanism.
- Benefitting Member States would also be granted an interest rate subsidy to cover the costs of the loan. This subsidy will be funded through a Stabilisation Support Fund filled with contributions from the participating Member States. These contributions will constitute external assigned revenue for the EU budget and the method for their calculation will be established by an intergovernmental agreement. According to the draft text of this intergovernmental agreement published by the Commission, the contributions from Member States will be equivalent to a share of their monetary income from the assets they hold in exchange of the banknotes they supply (commonly known as "seigniorage").

Correction mechanisms

- **Can the Commission provide the data that has supported the need for the proposed phasing out period (until 2025) and the assessment behind the proposed amounts? (PT)**
- **Since the Commission decided to introduce new correction mechanisms until 2025, the estimation of net balances for Member States during Multiannual Financial Framework 2021-2027 (with and without correction mechanisms) should also be presented. (PL)**
- **Can the Commission elaborate on the rationale for phasing out the current correction mechanisms? (PL, PT)**
- **What is the reason to introduce new correction mechanisms for the 5-year period? (PL)**

Answer

- The answers to these questions are included in Fiche No. 42 of 3 September 2018 and in the presentation of 20 July 2018. Maintaining corrections for 5 years would allow for their gradual phasing out, while ensuring that there will be no rebates any longer in the last two years of the next Multi Annual Financial Framework, giving a firm signal of their lasting elimination.

UK Payments

- **The forecast of the UK's payments for the initial years of the Multiannual Financial Framework should be presented since they could reduce significantly Member States' contributions during the period 2021-2023 (PL).**

Answer

- The Commission proposal on the 2021-2027 Multiannual Financial Framework assumes that the financial settlement as stipulated in the draft agreement on the withdrawal of the United Kingdom will be respected. However, it was considered appropriate not to include the payments in the presentations of future revenue.

NEW OWN RESOURCES

Common Consolidated Corporate Tax Base

Revenue Estimates

- **The Commission assumes that the necessary Common Consolidated Corporate Tax Base Directive will enter into force by 2023 and expects an average of EUR 4 billion with a call rate of 1 % for 2021-27. Could the Commission provide estimates on the possible distribution between Member States? (AT)**
- **We would like to see the Commission's estimates regarding the revenue from Common Consolidated Corporate Tax Base Own Resource by Member State and by year until 2027. (HU)**
- **We would be grateful for the Common Consolidated Corporate Tax Base data by Member State. (PL)**
- **Could the Commission provide estimations of the contributions by Member State and by year, including the assumptions and data set on which these estimates are based? Could it provide details on how it calculated the estimated Common Consolidated Corporate Tax Base revenues as shown on page 25 of the Council Regulation COM(2018)326 final? What are the underlying assumptions and data that the Commission used to calculate these estimated revenues? If the Commission cannot provide this data now, when will it be able to? (NL)**

Answer

- The answers to these questions are covered in Fiches No. 7 of 12 June 2018 and No. 29 of 20 July 2018.

- **Could the Commission explain the difference in the average estimated revenue from the Common Consolidated Corporate Tax Base in the Commission's presentation (EUR 12 billion) and the estimates in the proposal for a "Council Regulation on the methods and procedure for making available the Own Resource 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 on the measures to meet cash requirements", p. 25 (EUR 15 to EUR 17 billion). (SI)**
- **Could the Commission provide details on how it calculated its forecast of total Common Consolidated Corporate Tax Base revenues of 9% of total revenues per year, after 2023? (NL)**

Answer

- As indicated in Fiche No. 19 of 3 July 2018 and in Table 2 (page 35) of the Staff Working Document accompanying the Own Resource Decision (SWD(2018)172 final), the estimated 9% share of total annual revenues that would accrue from the Own Resource based on the Common Consolidated Corporate Tax Base as from 2023 corresponds to 6% of the total average revenue over the whole period 2021-2027. Similarly, the annual average of the seven year period (including 2021 and 2022) is somewhat lower than the actual amounts estimated to accrue to the EU budget annually between 2023 and 2027.

Entry into Force - State of Play of the Legislative Procedure

- **How could the Commission guarantee that the Common Consolidated Corporate Tax Base will enter into force for the next Multiannual Financial Framework? If enhanced cooperation is achieved, how will this be taken into account in the national contributions of the Member States? (BE)**

Answer

- It is expected that the Common Corporate Tax Base will enter in force during the next Multiannual Financial Framework. The introduction of the Own Resource is subject to the adoption of the Common Consolidated Corporate Tax Base Directive and its transposition by all Member States. The question of whether and how to establish an Own Resource on a Common Consolidated Corporate Tax Base under enhanced cooperation would need to be considered if such a situation arises.

- **Could the Commission present detailed information on progress in works on Common Consolidated Corporate Tax Base initiative? Is there an assumption for first revenue to the EU budget? What would happen in case of delay in transposition of Common Consolidated Corporate Tax Base Directive? (EL, PL)**
- **What is the state of play of negotiations of Common Consolidated Corporate Tax Base, what are the main points to be negotiated/agreed? Is the apportionment formula, by which profits are allocated to Member States (sales, labour and assets) already agreed? (PL)**
- **Directive proposal on Common Consolidated Corporate Tax Base is not new. Many proposals have been discussed but are still far from reality. For that reason it is difficult to predict and even assess it as potential source of EU budget. (SI)**

- **What will happen if the Directive is not adopted by 2023, or if the negotiations show that an agreement on the Common Consolidated Corporate Tax Base is not feasible? (NL)**
- **In case there will not be agreement on Directive on the Common Consolidated Corporate Tax Base, what is the alternative source instead of the Common Consolidated Corporate Tax Base? (NL)**

Answer

- The answer to these questions is included in the presentation on Common Consolidated Corporate Tax Base of 6 July 2018.
- The Commission is pursuing a two-step approach. In the first step, the legislative deliberations focus on the proposal for a Common Corporate Tax Base. Once an agreement on this proposal has been achieved, the work on the Common Consolidated Corporate Tax Base will start (consolidation and apportionment of profits will be discussed).
- The entry into force of the first proposal can be expected during the first year of the Multiannual Financial Framework.
- In case the underlying legislation for the Common Consolidated Corporate Tax Base is not adopted by 1 January 2021, and the corresponding Own Resource cannot be collected as from 2023, the Gross National Income-contributions will compensate the revenue shortfall in the EU budget, until the Common Consolidated Corporate Tax Base enters into force.

Economic impact

- **Has the Commission carried out an impact analysis on the European economy? Will the European economy suffer a comparative disadvantage if EU corporate tax levels are higher than the levels of our main trading partners (US, Asia)? (BE)**

Answer

- The Commission's analyses indeed include an assessment of the economic impacts, for example on investment, the labour market and Gross Domestic Product. A state-of-the-art model was used to assess the impact of corporate tax reforms in an international context. It covers relationships with the US and Japan. The overall effects for the EU are positive.
- The Commission proposal will not increase corporate taxes. The level of taxation remains under the control of Member States which remain free to set tax rates.

- **Does the Commission have any figures for the expected development of Common Consolidated Corporate Tax Base-revenues in an economic downturn? Would a drop in Common Consolidated Corporate Tax Base revenue in a downturn require higher Gross National Income contributions? (NL)**

Answer

- The answer is mentioned in the Commission Staff Working document “Financing the EU budget: report on the operation of the Own Resource system” (SWD(2018)172) and in particular graphs 17 and 18. If the contribution from the Common Consolidated Corporate Tax Base Own Resource is lower than expected, for instance due to an economic downturn, the overall (EU-wide) revenue shortfall will be filled with an increase in Gross National Income-contributions.

Scope of the Own Resource

- **The information provided by the Commission states that only profits of those companies for which the Common Consolidated Corporate Tax Base is compulsory will be included in the relevant contribution. How will profits of companies be treated for which the Common Consolidated Corporate Tax Base is not compulsory according to EU legislation, but only according to national legislation? (NL)**
- **With regard to the scope, the Own Resource proposal uses the small Common Consolidated Corporate Tax Base scope (following the proposed Common Consolidated Corporate Tax Base text) meaning that the Common Consolidated Corporate Tax Base is only mandatory for the large multinationals. According to the Common Consolidated Corporate Tax Base proposal however, Member States can (on a national basis) decide to broaden the scope of the Common Consolidated Corporate Tax Base. (NL)**
- **In the case Member States decide to broaden the scope of the Common Consolidated Corporate Tax Base, will this affect the contribution to be paid by this Member State? (NL)**
- **Is it possible to include a scenario to the Own Resource proposal, which address the case in which Member States make the Common Consolidated Corporate Tax Base mandatory for all companies? (NL)**

Answer

- The Own Resource will only apply to the mandatory scope of the Directive, i.e. to large companies. Should a Member State decide to broaden the national scope of the tax, it would only apply to taxpayers and taxable profits subject to the national scope and any extra revenue will not be included in the calculation of the Own Resource.

- At this stage, the Commission does not engage in developing alternative scenarios to the proposed one, in terms of applicability of the Common Consolidated Corporate Tax Base either to all companies or to a subset of Member States. In the context of the preparatory work of the legislative proposal on a common (consolidated) corporate tax base, several estimates have been produced with different scopes and other variants of the tax base⁷.

Reliability of Estimates

- **The CORTAX⁸ simulations of Common Consolidated Corporate Tax Base in Member States would help to analyse the possible impact of the Common Consolidated Corporate Tax Base Own Resource, we would like to ask for the data. The Commission's calculations based on 2012 data seem quite obsolete especially as a basis for the revenue forecast for the period 2021-2027, it would be helpful to have CORTAX updated. (PL)**
- **According to Council doc. 8155/18, "During the meeting of the HLWP on 28 February 2018, delegations agreed to the idea of evaluating the impact of the Common Consolidated Corporate Tax Base proposal on national tax revenues using a common methodology (CORTAX model1). This evaluation will be done in the course of 2018 by Member States (who hold the data necessary for running such exercise), with the technical assistance of the Commission services." (HU)**
- **In the same time on the informal workshop of the European Commission, Joint Research Centre in Seville on the 23-24 April 2018 the delegates of the Member States were told that the effects of the introduction of the Common Consolidated Corporate Tax Base proposal should be calculated according to national models, methods. Our question is whether the impact evaluation of the Common Consolidated Corporate Tax Base proposal should be calculated according to the CORTAX model, or according to the national models? (HU)**
- **What are the plans regarding the CORTAX database, will the new data be used and new simulations conducted? Will it be publicly available? (PL)**

Answer

- These questions concern the on-going revenue assessments by Member States, agreed upon in the context of the taxation policy working group. As was made clear in the

⁷ See also: Modelling corporate tax reform in the EU: new calibration and simulations with the CORTAX model. Taxation Papers, Working Papers n° 66 – 2016.

⁸ The CORporate TAXation model developed by JRC is a computable general equilibrium model for simulating corporate tax reforms.

workshop in Seville in April 2018, attended by most Member States, Member States are free to use whichever model they wish, provided that they use the agreed common set of assumptions. It is expected that they use national data, available to their tax authorities, rather than resort to the privately owned international database ORBIS, on which CORTAX estimations were based.

- The Member States, on which the Commission has information, seem to have opted for national models, also because using CORTAX requires specific resources, notably skilled staff with experience in the use of computable general equilibrium models.

- **Directive proposal on Common Consolidated Corporate Tax Base is not new. Many proposals have been discussed but are still far from reality. Does the Commission consider introducing some other alternative revenue instead of the Common Consolidated Corporate Tax Base? Is there some other alternative source instead of the Common Consolidated Corporate Tax Base? (SI)**
- **The CORTAX model has been used to evaluate the influence of the Common Consolidated Corporate Tax Base Directive, but these calculations have been done in 2012. The latter is not appropriate from the next financial framework point of view because of old data. Next important fact is that calculations were done on different bases that are the base for the tax. Many changes happened from the beginning of the Common Consolidated Corporate Tax Base Directive. (SI)**

Answer

- The key to more reliable estimates, also at Member State level, is detailed tax administration data.
- The current estimates can consequently hardly be improved on the basis of the CORTAX model as long as these data are not provided.
- When the Commission prepared the proposal and its impact assessment, the use of 2012 data was the best choice to achieve both consistency and timeliness of data. At the moment, there are no plans to publish new results. The Commission is waiting to learn what Member States' own evaluations have shown.

- **As the system on Common Consolidated Corporate Tax Base is meant for multinational companies which are active in the EU countries, what is the part of tax in the payments of these companies in the tax on the income of legal personalities – this represents namely the base for all further calculations. (SI)**

Answer

- Member States have access to information related to the share of their corporate income tax revenues stemming from multinationals. The Commission does not, as it can only use the CORTAX model based on 2012 data from the ORBIS database.

- **As regards all other sources, the question is, which basic data and assumptions has the Commission taken into account as the input data. All Member States would appreciate that for their own calculations.**
- **Three Member States (including SI) asked the fiche on Own Resources, clearly stating all assumptions and data used for each individual potential source proposed.**

Answer

- The answer to this question is covered by Fiche No. 29 of 20 July 2018.

- **According to Council doc. 8155/18, Article 7 of the Common Consolidated Corporate Tax Base proposal is extended with a new scenario: "The tax base shall be defined as the difference between the carrying amount of (net) business assets at the end of the tax year and the carrying amount of (net) business assets at the end of the preceding tax year, plus the value of any repayments of nominal capital and profit distributions made during the tax year and minus any additions to business assets made during the tax year pursuant to corporate law." (HU)**
- **It is not clear what the expression "business assets" exactly means since it was not part of the original Common Consolidated Corporate Tax Base proposal thereby it was not among the definitions. (HU)**
- **We are not sure what the expression "additions to business assets made during the tax year pursuant to corporate law" means either. Since according to our opinion every addition to business assets has to be made pursuant to the law and this way to corporate law. (HU)**

Answer

- The question is not linked to Own Resources, and would be better addressed in the context of the relevant Working Party on Direct Taxation.

- **The estimation of revenues will be calculated on the basis of a Macroeconomic Model. Approximately a year later (or longer) these estimations will be offset against the real received income resulting. Is it possible that realised received Common**

Consolidated Corporate Tax Base could significantly deviate from the estimation? (NL)

- **If so, what measures can be taken to ensure that significant deviations do not take place? (NL)**
- **Furthermore, will the Commission envisage that further precision in the underlying calculation of the CORTAX model can be established, with a view to get a better reflection on the real economic situation? (NL)**
- **The revenues of the Common Consolidated Corporate Tax Base should not be compared to the situation as portrayed by currently available data, but to the situation after implementation of the Anti-Tax Avoidance Directive⁹ in the context of the initiative against Base Erosion and Profit Shifting. How does the Commission take this into account?**

Answer

- Estimated revenues published in the Own Resources proposal are future projections of the revenue estimates by Member State, obtained through the CORTAX model based on 2012 data. These estimates clearly are illustrative – in fact, in the context of the Common Consolidated Corporate Tax Base legislative process, Member States agreed to produce more accurate national estimates. In any case, actual data from tax declarations will determine the amount of national contributions due. As with other Own Resources, Gross National Income-contributions will compensate for any aggregate excess or shortfall of revenues vis-à-vis forecasts.
- When it comes to evaluating the impact of the Common Consolidated Corporate Tax Base on corporate tax revenues, in the Impact Assessment (SWD(2016) 341) accompanying the Directive, the Commission had included in its baseline scenario the measures from the Anti-Tax-Avoidance Directive and the Organisation for Economic Cooperation and Development's Base Erosion and Profit Shifting initiative, because they are implemented independently from the Common Consolidated Corporate Tax Base.

- **Why the "interim tax on certain revenue from digital activities" was not included in a proposed basket of Own Resources since it has been already presented by the Commission in March 2018 with the potential revenue amounting to EUR 5 billion**

⁹ Proposal for a Council Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market (COM/2016/026 final).

(the Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services¹⁰). (PL)

- **Why was the Financial Transaction Tax not included in a proposed basket of Own Resources although the negotiations have been ongoing in the Council on the enhanced cooperation since 2013 and it fulfils many criteria for viable new EU budgetary revenue? (PL)**
- **What is the link between Common Consolidated Corporate Tax Base and digital tax? (PL)**
- **Can the Commission explain the absence of the digital tax in the proposal (since it was included in Commission's Communication of 14 February)? (PT)**

- Answer

- On 21 March 2018, the Commission made proposals to address difficulties in taxing profits in the digital economy. The proposals have two parts:
 - A comprehensive solution: a Directive on the corporate taxation of a Significant Digital Presence establishing revised permanent establishment and profit allocation rules to reflect digital activity.
 - An interim solution: a Directive for a new 'digital services tax', which would close the most urgent gaps and loopholes in the taxation of digital activities. The tax would only be in place until the comprehensive solution is agreed and implemented.
- Following an agreement on the Significant Digital Presence Directive, the rules of the Common Consolidated Corporate Tax Base would have to be updated to incorporate the notion of a significant digital presence. Discussions on the apportionment formula could assess whether there is a need to update the formula to better reflect digital activities. The European Parliament has made a proposal in this regard.

Emissions Trading System

Revenue Estimates

- **Please provide detailed calculations of planned Own Resource based on EU Emissions Trading System. (LV)**

¹⁰ Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services (COM/2018/148 final).

- **Can the Commission provide estimations of the contributions by Member State and by year, including the data set on which these estimates are based? (NL)**

Answer

- The answer is included in Fiche No. 29 of 20 July 2018 and in the presentation of 20 July.

- **Why the Commission has used the upper limit (EUR 3 billion) of the estimated amount for the overall Own Resources based on the EU Emissions Trading System, although it has been mentioned, that the average revenues could vary between EUR 1.2 and 3.0 billion (COM(2018) 325, section 3.2. and 3.4)? (LV)**

Answer

- For simplicity, the data displayed in Fiche No. 29 of 20 July 2018 assume a revenue level of EUR 3 billion from the Emissions Trading System-based Own Resource. It is however easy to change these estimates with other assumptions in terms of auction revenues.

- **Referring to Fiche No. 7 of 12 June 2018: can the Commission provide the assumptions underlying the assumed carbon price ranging between EUR 10 and 25? What makes the Commission to assume that the share of auctioned allowances will remain stable? (NL)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018.

- **Can the Commission provide details on the dynamic effects of the estimates. What will happen to the allowances which are not auctioned? To what extent is the Emissions Trading System based Own Resource volatile? This would impede estimating national contributions. (NL)**

Answer

- In the EU Emissions Trading System, as a general principle, all allowances are auctioned, except those allocated for free to the industry. It is in the nature of a market-based instrument that market prices change over time in reaction to market fundamentals. The legislation agreed last year on the framework for up to 2030 should reduce regulatory-driven uncertainties and volatility in the years to come.

- **In the Council Decision (COM(20018) 325) the upper limit for the call rate is 30 %. On what basis could the Commission propose to elevate the call rate higher than 20 %? (LV)**

Answer

- The proposed legal architecture enables the Parliament and the Council to adjust up to 30% the call rate related to the Emission Trading System Own Resource. If this Own Resource generates less revenue than expected, it will be compensated by the Gross National Income contribution.

- **We would like to see Commission's estimates regarding the revenue from Emissions Trading System-based Own Resource by Member State and by year for the whole period of 2021-2027. (HU)**

Answer

- The answer is included in Fiches No. 8 of 12 June 2018 and no. 29 of 20 July 2018.

- **What allowance price did the Commission use when the yearly income of the EU budget was estimated to EUR 1.2-3 billion? We would like to see these estimates regarding the price of allowances for the period of 2021-2027. (HU)**

Answer

- The range is EUR 10-25 /ton CO₂. This range has been used based on public information for the sole purpose of budgetary planning (without having access to any of the information that the Commission may have obtained as a result of its regulatory role in the Emissions Trading System).
- As a matter of policy and due to its regulatory role the European Commission does not produce forecasts on carbon price developments. A range of external market analysts produce on a regular basis such price forecasts. At this stage external analysts expect that the carbon price over the period 2021 to 2027 is likely to be higher than over previous years. On this basis the Commission considers the price range used in the proposal for presenting revenue estimates remains a solid basis for budgetary planning.

- **In what concerns the new Own Resource based on the Emission Trading System, how does the Commission assess the impact of the carbon price developments on the sustainability of this source of revenue?**

Answer

- The answer is included in Fiches No. 7 and 8 of 12 June 2018.

- **The volume of allowances in Emissions Trading System will be diminished every year by 2.2 %. On what basis the Commission estimates that the revenue from**

Emissions Trading System will remain stable over the whole 2021-2027 period? (PL)
The forecast for the Own Resource based on the Emissions Trading System shall be the amount in the annual statement from the previous year (COM(2018) 326 final, p.13). Taking into account the gradual reduction of the volume of allowances in the Emissions Trading System this solution seems questionable.

- **The Emissions Trading System price presented in different scenarios of impact assessment for climate and energy package ranges from EUR 11 to EUR 53/ton. Why central scenario of EUR 25/ton as adopted in the Own Resources system for the upper Emissions Trading System price (SWD(2018) 172 final, p.26) and not the upper scenario of EUR 53/ton from the impact assessment (SWD(2014) 15 final)?**
- **For allowances freely allocated to the power sector, the contribution is equal to the relevant share of the market value of these allowances. How would it be defined?**
- **As all information is available to the Commission through auctioning platforms, the provisions on control, reporting and documentation of the Emissions Trading System Own Resource in the Member States seem to be unnecessary. (PL)**

Answer

- The answers to these questions are included in Fiche No. 8 of 12 June 2018 and the Presentation of 15 June 2018.

- **The information on the number of auctioned allowances and the revenue collected is available to the Commission from the auctioning platforms. Is there a need to prepare separate Emissions Trading System Own Resource statements and reports by Member States? It would be easier to have call for funds sent from the Commission to Member States instead of preparing monthly statements by Member States. (PL)**

Answer

- The answers to these questions are included in the Presentation of 15 June 2018.

Economic impact of the Emission Trading System-based Own Resource

- **The Commission wishes to levy 20 % of the revenues of the Emission Trading System. Currently, Member States collect these revenues and can assign them to compensate carbon leakage. Does the Commission foresee a compensation for this loss at Member States' level? (BE)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018.

- **What alternatives for new Emissions Trading System-based Own Resource have been looked into by the Commission, CO₂ tax, excise duties on kerosene? (BE)**

Answer

- The Commission proposes an Emissions Trading System-based Own Resource. A series of alternative options were explored as explained in the Staff Working Document SWD(2018) 172, chapter 3.2, as well as in the context of the High Level Group on Own Resources whose final report was published in January 2017.

- **How does the proposal comply with the main intentions behind the EU Emissions Trading System, i.e. reduce greenhouse gas emissions from industrial activities, and the provisions of the Emission Trading System Directive¹¹ regarding the use of auctioning revenues? How the Commission intends to ensure, that the Own Resources based on EU Emissions Trading System are fully used for climate and energy efficiency purposes. Today LV uses 100 % of the auctioning revenues for such purposes (including costs of administration). (LV)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018.

- **In the impact assessment for A policy framework for climate and energy in the period from 2020 up to 2030 (SWD(2014) 15 final, p.139), the Commission presented possible negative impact on Gross Domestic Product and employment of different scenarios in Emissions Trading System and non-Emissions Trading System sectors for the period 2020-2030, with higher costs in lower income Member States. The negative impact shown in the simulations was partly mitigated by adopting assumption that the revenue from Emissions Trading System auctions will be used to lower labour costs and to develop ambitious energy efficiency policies and renewable targets. (PL)**
- **The introduction of Emissions Trading System -based Own Resource would deprive Member States of funds necessary to finance above-mentioned objectives. (PL)**
- **Are there any new simulations available showing the impact on Gross Domestic Product and employment of the Emissions Trading System and non- Emissions**

¹¹ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community (OJ L 275, 25.10.2003, p. 32). .

Trading System regulations with limited financial resources available for Member States? (PL)

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018. Furthermore, according to the Commission's Multiannual Financial Framework proposal, the Commission intends to dedicate 25% of the EU budget for climate and environment-relevant expenditure.

- **As Member States would have fewer resources to fight climate change, are there any plans to limit the obligations imposed on Member States by the Emission Trading System Directive and Effort Sharing Regulations? According to COM(2018) 325 final, p.15: "the development of the Own Resources System can and should also participate, to the greatest extent possible, in the development of the policies of the Union". Contrary to this assumption, it seems that the creation of the Emission Trading System-based OR would impede Member States efforts in the area of climate and energy policies (PL).**

Answer

- The Own Resource proposal does not require any review of the Emission Trading System Directive or the Effort Sharing Regulation¹².

- **For allowances freely allocated to the power sector, the contribution is equal to the relevant share of the market value of these allowances. How would it be defined? (PL)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018.

- **While ready to discuss the details of the proposed new Own Resources, including Emissions Trading System, CZ is in general of the opinion that the current system of Emissions Trading System, where the revenues/money go to the Member State which is responsible for the measures leading to emission reduction is fully in line with the principle of subsidiary enabling to tailor this measures based on different Member States' needs. (CZ)**

¹² Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

- **Could the Commission explain more in detail the system of Emissions Trading System -based Own Resource? Based on the information in legislation, we understand the income from auctioning would only represent a basis for calculation of Member States' contribution (from national budget) to the EU budget and would not mean real decrease of the earmarked resources the Member States spend on climate actions. Is this understanding correct? (CZ)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018. According to the Commission's Multiannual Financial Framework proposal, the EU budget earmarks 25% of its expenditures and for climate and environment purposes. A limited contribution from the Emission Trading System sector appears justified in light of the total expenditure in the field of climate and environment.

- **If a Member State applies the transfer possibility provided by paragraph (5) of Article 10(c) of the amended Emission Trading System Directive to increase the amount of allowances used for the 10c derogation mechanism, do we understand it well that the uniform call rate has to be applied to these excess allowances as well? (HU)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018. The proposed 20% contribution for the Emissions Trading System-based Own Resource would be equal to 20% of the market value of these allowances.

- **How does the application of the uniform call rate relate to the obligation of Member States described by paragraph (3) of Article 10 of the amended Directive, which prescribes that at least 50 % of the auction revenues should be spent on several climate-related purposes listed in the Directive? We would like to get confirmation that half of the Emissions Trading System revenues should be earmarked to climate purposes first, then the EU budget Own Resources (20%) should be paid from the other half, and the remaining 30 % can be used without any restrictions? (HU)**

Answer

- This is correct.

- **Has the Commission considered that part of the Member States use more than 50% of the Emissions Trading System revenue for climate actions and if they have to transfer (part of) these amounts to the EU budget they may not be able to continue financing these climate measures? (HU)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018. The Own Resource contribution is proposed to correspond to 20% of the auctioning revenues from the auctioning of allowances under the EU Emissions Trading System. Member States will remain able to use the remaining revenues generated from the auctioning of allowances, or the equivalent in financial value of these revenues, to finance climate action.

- **What is the relation of the call rate to allowances placed in the Market Stability Reserve? Do we understand it well that when the call rate is applied, only the realized revenues and the market value of the allowances used for 10(c) derogation have to be taken into account, not the value of allowances kept in the reserve? (HU)**

Answer

- If allowances are placed in the Market Stability Reserve, they are not auctioned and the Member States do not have to provide any contribution.

- **The EU Emissions Trading System is applied by some non-EU states like Norway, Iceland and Liechtenstein. At the moment it is not known that the United Kingdom would join these States after the Brexit or not. As far as we understand, the uniform call rate is not applied to auction revenues of non-EU countries. Still it is important to get clarity on how the Brexit was handled when the Commission estimated the yearly incomes of the EU central budget from the Emissions Trading System. According to the Commission's assumption, until what time does the United Kingdom participate in the EU Emissions Trading System? If an exit of the United Kingdom from the EU Emissions Trading System is envisaged, was the size of the EU Emissions Trading System cap left unchanged and the auction volumes of the United Kingdom distributed amongst the EU27, or was the cap reduced by the number of the British allowances and the auction volumes of all other Member States left unchanged? (HU)**

Answer

- This will depend of the outcome of the negotiations.

Mechanisms in favour of low income Member States

- **Could the Commission include in its estimates details on the necessary corrections (10 % of allowances distributed to lower income Member States and Modernisation Fund)? (NL)**

Answer

- The answer to this question is included in Fiche No. 8 of 12 June 2018. The Modernisation Fund represents 2% of the cap. All Member States pro-rata contribute to set up this fund, while 10 Member States have access to it according to the distribution key laid down in the Emission Trading System Directive.

- **We ask for information on how to access the necessary data to compute the Own Resource, as well as estimations on the contributions by Member State (AT).**
- **It would be useful to know if the contribution keys for each Member State associated with this specific Own Resource can be simply derived from the revenues for each from Member State obtained from auctions within the Emission Trading System or whether more detailed information on the allowances available for auctioning is necessary, also taking into account the fact that 10 % of allowances available for auctioning seems to be redistributed for the purposes of solidarity and other. (IT)**

Answer

- The answers to these questions are included in Fiche No. 8 of 12 June 2018 and Fiche No. 29 of 20 July 2018 and in the Commission presentation of 15 June (morning). As a first approximation for the purpose of budgetary planning, the share of the contribution of a specific Member State would be determined on the basis of the shares applying to the distribution of allowances distributed under 10-2-a (which represent 90 % of the allowances auctioned by Member States). The auction shares are known to national administrations.
- The estimated revenue as set out in fiche No. 29 of 20 July 2018 has been derived on a pro-rata basis, while not taking into account the United Kingdom and European Economic Area countries, which have also shares defined in accordance with the Emission Trading System Directive.

Making available the Own Resource and scope

- **How does Article 5(4) and (5) of the Council Regulation (COM(2018) 326) match the reporting requirements under the EU Emission Trading System? (LV)**

Answer

- As regards Article 5(4), pursuant to Article 61 of the Regulation on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances

¹³, the auction platforms announce and notify every day the auction results, including the revenues to be transferred to the Member States. Therefore, Member States will be able to send to the Commission, on the first working day of the second month following the month in which the allowances were auctioned, a monthly statement of its accounts for the Own Resources based on the European Union Emissions Trading System. This process, which will be identical every month, will not generate significant administrative costs for the Member States once it is up and running.

- As regards Article 5, it is proposed to take, for the sole purpose of budgetary forecasting, the amounts of the revenues from the latest year for which they are available. See also Fiche No. 8 of 12 June 2018.

- **The sector outside the Emissions Trading System is called the effort sharing sector, and it is regulated by Effort Sharing Regulation. It gives some MS a possibility to use a one-off flexibility between the Emissions Trading System s and effort sharing sectors. The flexibility would mean that emission allowances would be used to meet the Effort Sharing sector's emission reduction obligation, and the same amount of emission allowances of that member state would be cancelled. This would reduce the amount of allowances to be auctioned by that member state. The Own Resource proposal does not specify whether Own Resources would be collected from the value of the cancelled allowances. Could you elaborate on this? (FI)**

Answer

- The Own Resource applies to allowances auctioned (and those allocated for free pursuant to Article 10c of the Directive). Inasmuch as allowances cancelled would not contribute to the national income from the auctioning of allowances, they would also not be considered for the Own Resource.

- **Can the Commission clarify the proposal for the process of making available the Own Resource based on European Union Emissions Trading System as it follows the provisions that are applicable to Traditional Own Resource and how administrative costs for Member States are considered? (PT)**

Answer

- The making available of the Emissions Trading System Own Resource will entail extremely limited administrative resources as it builds up on the already existing

¹³ Regulation No 1031/2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community (OJ L 302, 18.11.2012, p. 1)).

architecture of the Emissions Trading System and its operational set-up. Presentation of 15 June 2018.

Plastic Packaging Waste

Objective

- **It would be fundamental to clarify whether the Commission's primary goal with the contribution on plastic packaging waste is revenue generation or the reduction of plastic waste pollution. We believe that the latter would need other measures as this contribution (fix amount for all Member States while their development and price level is different) would hit harder the less developed countries. (HU)**

Answer

- The objective of this Own Resource is to contribute to reducing plastic packaging waste and to fostering recycling.

- **Does this plastic contribution respect the "polluter pays" principle? (BE)**

Answer

- Yes, as explained in Fiche No. 9 of 12 June 2018.

- **How does the proposal for an Own Resource based on Plastic packaging waste correspond the targets and requirements in the waste legislation, which does not require 100 % packaging waste recycling? (LV)**

Answer

- The proposal is consistent with the EU waste policy and coherent with the waste legislation. Under the Plastic Packaging waste legislation, the EU has a 50% recycling target by 2025 and a 55% recycling target by 2030. The Own Resource is one of the instruments incentivizing the EU and its Member States to meet its targets.

- **Could the Commission explain the reasoning for using just the rate 0.80 EUR/kg? Has this rate been estimated in relation to the costs, which are caused by the recycling of plastic packaging waste? For example according to our experts in plastic waste business, 800 EUR/ton is relatively high price for the treatment (recycling) of plastic packaging waste. (FI)**

Answer

- The call rate must result in contributions that are sufficiently high to provide an incentive for Member States to take measures to stimulate recycling or reduce plastic packaging. On this basis, a call rate of 80 cent per kilogram is the appropriate value for this Own Resource.
- For instance, the call rate of EUR 0.80/kg would be equivalent to a 2.4-cent levy for a 30 g polyethylene terephthalate (PET) bottle of 1.5 Litres.

- **What measures are envisaged in case, where the amount of non-recycled plastic packaging waste decreases resulting in decrease of the Own Resource based on Plastic packaging waste? Does the Commission intend to propose adjustment of the call rate up to the upper limit mentioned in the proposed Council Decision (COM(20018)325) Article 2(1)e. (LV)**

Answer

- According to the current proposal of the Commission, the Council and Parliament will have the possibility to adjust the call rate as needed up to 1 EUR/kg. However, as the objective of this Own Resource is to fight pollution, it is not envisaged to increase the call rate should it contribute successfully to decrease the quantity of plastic packaging waste that is not recycled in the EU. If this Own Resource generates less revenue than expected, budgetary income will be compensated by the Gross National Income-based contribution.

Revenues estimates

- **We would like to see Commission's estimates regarding the revenue from the contribution on plastic packaging waste by Member State and by year for the whole period of 2021-2027. (HU)**

Answer

- The answer is included in Fiche No. 29 of 20 July 2018.

- **Can the Commission provide estimations of the contributions by Member State and by year, including the assumptions regarding the amount of non-recycled plastic packaging waste on which these estimates are based? (NL)**

Answer

- The answer is included in Fiches No. 7 of 12 June 2018 and No. 29 of 20 July 2018.

- **We have computed the possible contributions to this proposed new Own Resource on the basis of online Eurostat data on plastic packaging waste generated and recycled by Member State, using an average of the last available years (2014 and 2015) and the proposed call rate of EUR 0.80 per kg. This result seems to be plausible.**

- **Could the Commission clarify whether this is the right set of data?**
- **How will we have access to the necessary more recent data?**
- **Could the Commission elaborate on the state of play of amending the Packaging and Packaging Waste Directive and implementing acts? And in which respect would this improve the data and the accessibility of sufficiently recent data? (AT)**

Answer

- The answer to these questions is included in Fiche No. 9 of 12 June 2018 and Commission presentation of 15 June 2018. Furthermore, data for reference year 2016 is published on Eurostat's website.

- **Can the Commission provide projections for each Member State over the different years of the Multiannual Financial Framework 2021-2027? (BE)**
- **Are there any estimates on the weight of plastic packaging waste that is not recycled by Member State? (EL)**

Answer

- The answer to these questions is included in Fiche No. 29 of 20 July 2018.

- **Can the Commission provide estimations of the contributions by Member State and by year, including the assumptions regarding the amount of non-recycled plastic packaging waste on which these estimates are based? When can the Commission provide this information? (NL)**

Answer

- The answer to this question is included in Fiches No. 7 of 12 June 2018 and No. 29 of 20 July 2018.

- **Referring to fiche No. 7: on which information relies the Commission to assume that the quantity of plastic packaging waste in the EU-27 will increase by 2% per year? How will the recycling rate for plastic packaging waste meet the EU target; is this a linear process? Does this mean that all member states meet the EU target in 2025? (NL)**

Answer

- The assumption is consistent with what has been observed in the past, given the fact that plastic consumption and economic growth are strongly correlated. According to the data published on 28 August 2018, in 2016, the quantity of plastic packaging waste increased by 1.8% compared to 2015.

Economic Impact of the Own Resource

- **Given this plastic tax, operators could adapt their behaviour. Do the projections consider this aspect? What is the predictability/elasticity of this plastic tax? (BE)**

Answer

- The Own Resource is one of the instruments enabling the EU to meet its recycling targets. As explained in Fiche No. 7 of 12 June 2018, the estimates are calculated assuming the EU and its Member States will meet its recycling targets in 2025 and 2030.

- **Operators could decide to opt for other types of packaging that, just like plastic, have a negative impact on the environment. What does the Commission foresee to avoid such a negative shift? (BE)**

Answer

- This possibility is unlikely. First, other packaging materials have significantly higher recycling rates. Secondly, they damage less the environment as they do not accumulate in seas for long periods of time.

- **Does the Commission see any risks that the proposal would lead Member States to favour poor quality recycling (sham recycling), where the recycling amounts are however higher, instead of high quality recycling? (FI)**
- **Could this possible risk be avoided by using the total amount of plastic packaging waste (i.e. the total amount of plastic packaging put on to the market) instead of the non-recycled amount of plastic packaging waste? (FI)**
- **This would also better support the compliance of the waste hierarchy by encouraging the plastic packaging waste prevention. (FI)**

Answer

- The objective of the own resource is to support the plastic strategy. Therefore, the scope of the own resource should remain limited to plastic packaging waste that is not recycled.

- **Could the revenue of the plastic tax be assigned to support climate actions? (BE)**

Answer

- The EU budget is subject to a non-assignment principle. Revenues may not be assigned to specific items of expenditure. It should be noted though that it has been proposed to increase the target for mainstreaming climate relevant expenditure from 20% to 25%.

- **Why is the revenue stemming from the amount of plastic based Own Resource expected to remain stable during 2021-2027 period since the objectives of Plastic strategy is to reduce the non-recyclable plastic packaging waste and what is more experience of some Member States which have already implemented the plastic tax showed the reduction on bag consumption? (PL)**

Answer

- The answer is included in Fiche No. 7 of 12 June 2018 and in the Presentation of 15 June 2018.

Data quality, comparability and reliability

- **Can the Commission provide details on how it will ensure data quality, comparability and reliability regarding the amount of non-recycled plastic packaging waste? (NL)**

Answer

- The answer is included in Fiche No. 9 of 12 June 2018.

- **How will the Commission ensure timely data availability regarding the amount of non-recycled plastic packaging waste? (NL)**

Answer

- The answer is included in Fiche No. 9 of 12 June 2018.

- **How does the Commission calculate the quantity of non-recycled plastic packaging? Which Eurostat data are used? The data on plastic packaging generation and recycling that are already reported to Commission (Eurostat) only concerns the quantity of plastic packaging and the quantity that is recycled. It is unclear which subcategories on Eurostat the Commission has used to calculate the quantity non-recycled plastic packaging. (NL)**
- **Eurostat statistics of non-recycled plastic packaging waste are not available for several Member States. How does Commission plan to address this issue? Are the statistical data and methodology sufficiently robust and how can the quality of these statistics be enhanced? (BE)**

- **Regarding the statistical basis of this contribution could the Commission elaborate on its on-going efforts in collaboration with Eurostat aiming at improving the quality of data? (HU)**
- **What kind of controls/inspections does the Commission plan in order to verify the statistical data provided by Member States? (HU)**
- **As mentioned in the documents, there is already a reporting system and obligations under the Packaging and Packaging Waste Directive. Please explain in detail the reporting and calculation obligations envisaged in the proposed Council Regulation (COM(2018) 326) and how they follow the “only once” principle and the reduction of administrative burden. The provisions seem to create double reporting of the statistical data (Article 5(6)c), adding the obligation of annual forecasts (Article 9). (LV)**

Answer

- The answer is included in Fiche No. 9 of 12 June 2018.

- **Can the Commission access the level of capacitation of all Member States to provide data in a timely and harmonised way for the calculation of the different new Own Resources – notably amounts of non-recycled plastic packaging waste - since the proposal refers that interest should be payable in relation to delays in entering amounts resulting from failure of a Member State to provide data? (PT)**

Answer

- Under the Packaging and Packaging Waste Directive, Member States are obliged to provide adequate data within the required deadline to be used for the calculation of the Own Resource on plastic waste.
- The verification procedure will be similar to the one presently used for the Gross National Income-based Own Resource. If a Member State fails to submit data on plastic waste, the Commission may notify the Member State with a letter setting a reservation.

- **Could the Commission elaborate on the state of play of amending the Packaging Waste Directive and implementing acts? (EL)**

Answer

- The answer to this question is covered in Fiche No. 9 of 12 June 2018.

- **It is mentioned in the Staff Working Document, that statistics of Plastic Packaging Waste will be further improved and that by March next year, methodological rules**

will be established by an implementing act to ensure data quality and comparability. (EE)

- **In relation to the proposed plans in improving the data quality, could the Commission specify, which reference year will the Commission propose as a basis for calculating the Plastic-based Own Resource? (EE)**
- **In addition, the new methodological rules will be adopted by March next year, which is the timing of the planned adoption of the EU budget. Do we understand correctly, that in this case, the share of each Member State will be calculated based on old methodology, without taking into account the new rules and comparable data? (EE)**
- **The compromise we reached last year in Waste Package negotiations will need a remarkable effort from the Member States, in order to meet the agreed recycling rates. In the proposal, the proposed calculation method of non-recycled plastic packaging waste doesn't take into account the delicate compromise which was agreed by the co-legislators. Could the Commission clarify, based on which criteria and analysis the current proposal in calculation method was considered as the most appropriate one? (EE)**

Answer

- The amendment of the Packaging and Packaging Waste Directive was adopted in May 2018. The Commission is to adopt the related implementing rules and formats to report the data by March 2019 and the Member States have to start reporting under the new requirements as of 2020 (before the entry into force of the Own Resource Decision).
- This amendment introduces strict and harmonised calculation rules. The new waste legislation will further improve data quality and comparability across Member States according to implementing rules and reporting formats that will be specified by March 2019.
- The data will be accompanied by a quality check report. At the same time, the new rules on reporting are consistent with the rules currently applicable, which will ensure continuity of data and reporting. The data will continue to be publicly accessible and to be provided 18 months after the end of the reference year (Fiche No. 9 of 12 June 2018).

- **The question is whether the contribution keys for each Member State can be derived for the most recent Eurostat statistics. In particular, at the moment we are considering data on the amount of the generated plastic packaging waste and we subtract from it the re-cycled amount of it. We focus on the latest available data (those for 2015). (IT)**

Answer

- The plastic based Own Resource is not a fixed amount distributed among MS with a distribution key. The contribution of each Member State in a given year is proportional to the quantity of plastic packaging waste which is not recycled (i.e. generated minus recycled) on the same year. Therefore, the share of the Own Resource paid by a specific Member State in a given year is equal to its share of plastic packaging waste that is not recycled across the EU. See also Fiche No. 9 of 12 June 2018.

- **How does the proposed Own Resource based on Plastic packaging waste scheme take into account the differing starting positions of Member States as regards the levels of use and collection of plastic packaging and socioeconomic situations. (LV)**
- **Will the scheme take into account measures already applied in the Member States, such as prohibition of use of certain types of plastic packaging or taxes? For example, Latvia applies a tax (Natural Resource Tax) on plastic packaging, providing reliefs for management of waste in certain amounts. (LV)**

Answer

- The Own Resource has been designed to ensure that Member States with a high recycling rate contribute less than those with a low recycling rate. Furthermore, data show that the generation of plastic packaging waste is strongly correlated with Gross Domestic Product. Therefore, at constant recycling rate, low income Member States will pay less per capita than wealthy Member States.

OTHER REVENUES

- **Could the Commission provide an overview of all currently existing "other revenue" (including amounts) in the sense of Article 2(2) of the proposed Own Resources Decision and how they are currently allocated (Member States; assigned revenues to the EU budget; etc.)? (AT)**
- **The Netherlands eagerly awaits the updated fiche No. 10 on other revenue. In particular we ask the Commission to provide further (written) clarity on the possible legal basis for the principle that future revenues from EU policies flow to the EU budget and explicit acknowledgement that art. 2.2 of the Own Resources Decision is not the legal basis. (NL)**

Answer

- The answer is included in Fiche No. 10 of 12 June 2018 on "Other Revenue" and in the Addendum to this fiche.

- **Could the Commission provide a list of all other revenues that will fall under this proposal, with projections for the next Multiannual Financial Framework period? (BE)**

Answer

- The answer is included in Fiche No. 10 of 12 June 2018 on "Other Revenue" and in the Addendum to this fiche.

- **Are there any assumptions regarding the level of other revenues (fines, surplus, interests)? (EL)**

Answer

- The answer is included in Fiche No. 7 of 12 June 2018.

- **Could the Commission elaborate on a possible nuclear emissions tax? (EL)**

Answer

- The Commission is not proposing a nuclear emission tax or a nuclear emissions tax-based Own Resource.

- **Fiche No. 7, paragraph 4 provides a projection for other revenue. Could the Commission provide an overview showing where in the Multiannual Financial Framework table we can find these other revenues? (NL)**
- **Could the Commission provide an overview of the current situation with respect to internal revenue/assigned revenue, as was discussed during the Working Party on Own Resources on the 6th of July? (NL)**

Answer

- The answer is included in Fiche No. 10 of 12 June 2018 on "other revenues" and in the Addendum to this fiche.

TRADITIONAL OWN RESOURCES (CUSTOMS DUTIES)

- **The Commission proposes to decrease the collection costs of custom duties from 20% to 10%. To compensate for this loss, the Commission proposes a new initiative**

regarding custom equipment support, which would focus on frontline States. Would this new initiative regarding customs equipment support take into account the impact of the Brexit or will the rise in customs duties income for the Commission to be redistributed for other needs? (BE)

Answer

- The newly proposed Customs Control Equipment Instrument will cover EU-27 needs post-2020 for customs authorities to be better equipped with state-of-the-art and reliable customs control equipment for each type of border (land, air, sea and postal).
- There is no direct link between the proposed level of funding for this instrument and the reduction of the customs collection costs.
- According to the budgetary principle of universality, total revenues cover total expenditure without any specific link between a given item of revenue and a given item of expenditure.

- **Could the Commission provide the Customs Union Performance Report 2016 and the Customs Services figures referred to in the staff working document regarding collection costs as % of extra-EU imports? (BE)**

Answer

- The Customs Union Performance Report 2016 is a document with restrictive distribution (EU-limited).
- This report was distributed to Directors General of all 28 customs administrations and copy was sent also to Customs Attachés in all Permanent Representations.
- The Commission is now preparing an update for the year 2017 and this report will be distributed at the end of this year.

- **Could the Commission provide for a projection of the customs duties that will be collected during the next Multiannual Financial Framework period? (BE)**

Answer

- In the Own Resources proposal of 2 May 2018, customs duties were projected starting from the forecast values approved with the 2018 draft budget and applying to them the growth rates of nominal Gross National Income forecast/projected for the period 2019-

2027 (see fiches 2 and 3). Since then, the 2018 forecasts have been revised and new forecasts for 2019 adopted at the meeting of the Advisory Committee on Own Resources (ACOR) of 18 May 2018 and included in the draft budget 2019, published on 21 June 2018¹⁴. Revised projections for the next period will be based on the latest forecast.

- **Can the Commission provide an assessment of the overall administrative costs for Member States of the management, administration and control of the Traditional Own Resources system that can support a rightful percentage for the collection costs and/or can support the proposal to restore the collection costs from 20% to the original level of 10 %? (PT)**

Answer

- Each Member State's custom authorities have different structures with different responsibilities going much beyond the control of Traditional Own Resources. They are taking care of other customs issues (mainly dealing with safety, security, intellectual property rights, cash control, product safety and more), but also deal with non-customs tasks (collection of Value Added Tax, excise, control of legal employment, control of highway use by trucks and payments, weighting of lorries etc.). The Commission does consequently not have the necessary information in all Member States to provide an assessment of the overall administrative costs for Member States of the management, administration and control of the Traditional Own Resources.
- The bulk of customs duties is collected by 6 Member States with large sea harbours. Relative costs of administering custom duties are arguably lower in Member States with few and large entry points for imports.
- The percentage to be retained by way of 'collection costs' has no inherent connection to customs administration costs, reflected by the fact that it is uniform for all Member States and all categories of traditional Own Resources. The shares to be retained are intended to provide a certain compensation and incentive for Member States to collect the custom duties with the necessary diligence on behalf of the Union.
- Member States with specific challenges with respect to customs control will be able to benefit from a strengthened CUSTOMS programme. Furthermore, the Integrated Border Management Fund, specifically with the new Customs Control Equipment component, will help national customs to procure equipment. Moreover, the Structural Reform Support Programme will provide assistance in the field of improving administrative capacity of customs.

¹⁴ <https://eur-lex.europa.eu/budget/data/DB/2019/en/SEC00.pdf>

VALUE ADDED TAX

- **Can the Commission provide annual data estimates on the bases and financing by Member State? (PT)**
- **Could the Commission provide the figures of the impact of the simplification of the Value Added Tax-based Own Resource, with a breakdown per Member State and per year? (BE)**

Answer

- The answer to this question is included in Fiche No. 29 of 20 July 2018.

- **What is the current degree of harmonisation between Member States on such base? (PT)**

Answer

- The Value Added Tax Directive¹⁵ provides the rules for harmonisation of the Value Added Tax base.
- With the current methodology outlined in Council Regulation 1553/89, the different steps compensate for the exemptions and other measures mentioned in the Value Added Tax Directive (so-called corrections and compensations). This is done to arrive at a harmonised Value Added Tax base for Own Resource purposes.
- According to our estimates, the differences between the intermediate and final bases are on average very low (around 1-2%). The relative shares of compensations have been close to negligible in the present system.

- **Could the Commission provide details on how it calculated the estimated Value Added Tax-based revenues as shown on page 25 of the Council Regulation COM(2018) 326 final? What are the underlying assumptions and data that the Commission used to calculate these estimated revenues? (NL)**

¹⁵ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1)

- **Could the Commission provide the data on the current weighted average Value Added Tax rate for all member states, as well as the standard Value Added Tax rate for all member states? (NL)**

Answer

- The revenues from the simplified Value Added Tax-based Own Resource in the period 2021-2027 have been estimated on the basis of an average for the period 2011-2015 of annual net receipts and national standard Value Added Tax rates. The 45% share and 1% call rate apply. Projections of the Own Resource base for the 2021-2027 period follow the method described in fiche No. 2 of 31 May 2018 and Fiche No. 29 of 20 July 2018 and show the average projected revenues over the period.
- The data to calculate the Weighted Average Rate are available on the restricted website CIRCABC¹⁶. Standard rates (and all other rates) applied in Member States are also available¹⁷.
- All data on all Member States' Value Added Tax-based Own Resource are available on the restricted website CIRCABC.

- **Could the Commission share its estimates of territorial specificities or infringements that will need to be corrected for, for all Member States? (NL)**

Answer

- Corrections for the territorial scope under articles 6 and 7 of the Value Added Tax Directive are calculated by Estonia, Finland, France, Spain and Sweden. Their financial impact is minor.
- Concerning infringements, in the 2016 statement only 7 out of 27 Member States were calculating a compensation due to breaches of the Value Added Tax Directive. The financial impact of these compensations is also minor.

- **How does this proposal increase fairness as Member States with an equal Value Added Tax base but a different tariff structure are affected differently? (BE)**
- **Does the proposal handle the difference between the different proportions of standard rated supplies and the difference in the standard Value Added Tax-rate?**

¹⁶ <https://circabc.europa.eu>

¹⁷ https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf

We would like to see the fairness of the system, demonstrated by calculations taking into account also that the actual revenue (which is the starting point of the calculation) depends on both factors. (HU)

- On the new method proposed, how does the Commission assess the impact of different structures of Value Added Tax revenues among Member States deriving from the application of normal, intermediate and reduced Value Added Tax rates, applied in a not uniform way, and that influences the total Value Added Tax revenues collected? (PT)

Answer

- The answer to this question is included in Fiche No. 29 of 20 July 2018 and in the presentation of 29 May 2018.
- Following the 2011 proposal, the Council was united in one voice requesting a simpler Value Added Tax-based Own Resource system. Simplification is the very essence of the 2018 proposal.

- The Commission considers that the administrative costs will be reduced with the simplification of the Value Added Tax based Own Resource. Could an estimate of the reduction of administrative costs as a result of the simplification of the Value Added Tax-based Own Resource be provided? (BE)
- While CZ prefers elimination of the Value Added Tax-based Own Resource and the system based primarily on Traditional Own Resource- and Gross National Income-based Own Resources, we are ready to discuss its modification presented by the Commission. The reformed Value Added Tax-based Own Resource should however not put in question the principle of subsidiarity or put additional administrative burden on Member States. (CZ)
- Based on the information provided by the Commission so far, the reformed system might bring real simplification. Could the Commission nevertheless confirm that the new system would not bring additional administrative burden, especially that:
 - it would be based on the existing platform for reporting the Value Added Tax collection/receipts;
 - no additional modifications of the current system of the tax evidence would be needed;
 - there will be no new, complex requirements for reporting of Value Added Tax in relation to the Value Added Tax -based Own Resource? (CZ)

Answer

- The answer to this question is included in Fiche No. 11 of 15 June 2018 and in the presentation made at the meeting of the Working Party of Own Resource on 29 May.
- Given the fact that most corrections, compensations, and the weighted average rate have been removed in the proposal, the administrative burden is expected to be drastically reduced.
- Reporting requirements are significantly reduced in volume. Other aspects of drawing up the annual Value Added Tax-base statement like data sourcing, tracking assumptions, performing calculations, or involving external experts will also be considerably reduced. The extremely complicated weighted average rate will be part of the past as well.
- The reduced reporting requirements will also be mirrored by leaner inspections. The expected fieldwork will be carried out over just one to one and a half day compared with the four and a half days under the present system.

- **Are there estimates regarding the annual growth rate of Traditional Own Resources and Value Added Tax Own Resource for the years 2021-2027 per Member State and for the European Union of 27? (EL)**
- **Are there assumptions and estimates regarding proposed new Own Resource and expected share per Member State? (EL)**

Answer

- The answer to this question is included in Fiche No. 29 of 20 July 2018.

- **The average of the lowest share of standard-rated goods and services in 27 Member States over five years (2011-2015) has been calculated for 45%. Would it be stable? If not, how would it be calculated starting from 2021, when no information on the Weighted Average Rate is provided by Member States in the Value Added Tax statements? (PL)**

Answer

- The answer to this question is included in Fiches No. 11 of 12 June 2018 and No. 29 of 20 July 2018.

- **Is the introduction of new Value Added Tax Own Resource somehow connected with the EU Value Added Tax Action Plan? (PL)**

Answer

- The revised Value Added Tax-based Own Resource system and the Value Added Tax Action Plan can exist independently from each other. Nevertheless, the new Value Added

Tax-based Own Resource proposal is consistent with the sectoral Value Added Tax legislation initiatives. In particular, the aim is to streamline and to simplify both systems.

- **Do we start the calculations with the gross amount of Value Added Tax revenue of each Member State? What are exactly the corrections to be applied to this sum before multiplying with 45%? (HU)**
- **Should we consider the 45% of common Union share of standard-rated supplies constant or is there any intention to recalculate or modify it later? If yes, based on what information and how? (HU)**

Answer

- The answer to these questions is included in Annex 3 to Fiche No. 11 of 12 June 2018.

- **Could the Commission specify which data would be taken into account in the calculations (e.g. if the share of the Value Added Tax gap would be included, etc.) and how in practice the checks and controls would be made? Due to the different accounting and reporting systems, time differences in tax refunds and deduction (linked to different years) etc., the amounts corresponding to year X Value Added Tax collection do not necessarily correspond to the amounts available on the Member States' accounts on the same day. (CZ)**
- **How will the administrative burden change for the Commission, the European Court of Auditors and Member States (the Commission and the European Court of Auditors: which departments would be responsible for control or audit, what will be the subject of control or audit?). (SI)**

Answer

- The answer to this question is included in Fiche No. 11 of 12 June 2018 on Value Added Tax which describes what would be inspected.

- **Previously the Member States received a Summary of the Commission's forecasts of Traditional Own Resources and Value Added Tax/Gross National Income bases for 2018 and 2019 (Annex IV – ACOR 2018). (SE)**
- **SE would like to know if it is possible to get access to each Member States' data on net Value Added Tax receipts in combination with the adjustments each member states makes to harmonise the Value Added Tax base, i.e. both corrections (adjustments to the net Value Added Tax revenue before calculating the intermediate base) and the financial compensations (being added to or deducted from the intermediate base) from year 2017? Also, SE would like to know if it is possible to get access to each Member States Weighted Average Rate for 2017. (SE)**

Answer

- Member States have access to CIRCABC where the information mentioned in the question can be retrieved.
- The Value Added Tax statements must be submitted to the Commission by the legal deadline established in the Council Regulation on the definitive uniform arrangements for the collection of own resources accruing from value added tax¹⁸ i.e. before 31 July of the year following the financial year. Consequently, the data for 2017 have been received only recently and have therefore not been exposed yet to the Commission's inspection activity. Moreover, some of them may not be available yet on CIRCABC. However, all statements from 2016 are uploaded, but seven of them will be inspected only in 2019.

- **We would like to see the Commission's forecasts regarding Value Added Tax-revenue by Member State and by year for the period of 2021-2027. (HU)**

Answer

- The answer to this question is included in Fiche No. 29 of 20 June 2018.

- **Which year will be the last when the Weighted Average Rate calculations will be necessary? (HU)**

Answer

- The answer is included in last paragraph on p.5 of Fiche No. 11 of 12 June 2018.

- **In October 2017, the Commission introduced general legislative amendments of the new Value Added Tax system (COM(2017) 569 final) for intra-EU cross-border trade based on the principle of taxation in the Member State of destination in order to create a more robust single European Value Added Tax area. (HU)**
- **In this proposal, a new concept in relation to goods - the so-called "intra-Union supply" – will be introduced. This new single taxable event is intended to replace the current system of an exempt supply in the Member State of departure and a taxed "intra-Community acquisition" in the Member State of destination as a second and separate taxable event. Under this new concept, the "place of supply" will be situated**

¹⁸ Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (OJ L 155, 7.6.1989, p. 9).

in the Member State of arrival of the goods and the supplier will be liable for the payment of the Value Added Tax on this intra-Union supply via a so-called One-Stop Shop system similar to the current Mini One-Stop Shop system. (HU)

- **However shifting to the new system will be gradual, and during this period reverse charge would still be applicable where the acquirer in case of intra-Union supplies of goods is a Certified Taxable Person, introducing the new system would affect the Value Added Tax revenues of the Member States in the first year. Due to the planned robust change in the overall EU Value Added Tax system is there any separate impact assessment available in relation to the Value Added Tax Own Resource? (HU)**

Answer

- Although the current batch of legislative proposals introduces important system changes, these do not affect the fundamental principle of taxation at destination.
- While no separate impact assessment has been prepared for the Value Added Tax-based Own Resource, ultimately Value Added Tax revenue – apart from, possibly, some minor shifts in timing – will still accrue to the same Member State before and after these reforms.

- **Can the Commission explain the rationale behind the drop of the Value Added Tax-based Own Resource capping in the current proposal, since the capping is supposed to remedy the regressive aspects of the Value Added Tax-based Own Resource, which is seen as disproportionately penalising the less affluent Member States? (PT)**

Answer

- Capping was initially introduced at a time when the Value Added Tax-based Own Resource represented more than 50% of the total EU budget revenue.
- In the meantime, the importance of the Value Added Tax-based Own Resource has been reduced significantly in relative terms compared to other resources such as Gross National Income.
- The revised Own Resources system proposes gradually to discontinue rebates and corrections that some Member States benefit from and that are indirectly financed by other Member States. In addition, capping as constructed presently would be meaningless under the proposal as the Value Added Tax-base for Own Resource purposes is expected to be significantly narrower than at present (under the present system, capping is set at 50% of Gross National Income. Under the proposed set up, the Value Added Tax base is expected to be significantly smaller, and would never reach 50% of Gross National Income).

- **On the new method proposed, how does the Commission assess the impact of Value Added Tax bases that are not fully harmonised notably due to Value Added Tax exemptions, differences in the scope of taxation and modalities to exert the right of deduction? (PT)**

Answer

- Under the present set-up, compensations serve to even out the elements referred to in the question.
- The relative share of compensations is close to negligible in the present system (on average about 1%). The trade-off between precision and simplicity in this case would favour simplicity.

- **Would quality of data used for calculation enable fair financing by Member States? Which data on Value Added Tax gap the Commission took into account? (SI)**

Answer

- In line with current practice, the Value Added Tax gap is not considered in the simplified Value Added Tax-based Own Resource. The starting point for data used are the Value Added Tax accounts in Member States. By doing away with compensations and the weighted average rate, calculations including considerable degree of assumptions, the calculation quality would increase compared to the present set-up.