Brussels, 29 May 2018

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MEETING DOCUMENT

From: General Secretariat of the Council
To: Working Party on Own Resources
Subject: EU Own Resources legislative package:
- PPT presentation

Delegations will find attached the slides that were used by the Commission for presenting a reformed own resources system for the next Multiannual Financial Framework at the meeting of the Working Party on Own Resources on Tuesday 29 May.
A REFORMED OWN RESOURCES SYSTEM FOR THE NEXT MULTIANNUAL FINANCIAL FRAMEWORK

Emmanuelle Maincent and Jose Madeira
DG BUDG - European Commission

WORKING PARTY ON OWN RESOURCES
29 MAY 2018
HOW DID WE GET HERE?

2011: Commission proposed revenue reform including new Value Added Tax-own resource and a Financial Transaction Tax-based own resource

2013: February **European Council** concluded that reform was necessary but that more work was needed to further develop the proposals

2014: **High Level Group on Own Resources** (Monti-Group) was created as part of the MFF 2014-2020 compromise

2016: **Final Report** of the Monti-Group (adopted by unanimity) includes recommendation for new own resources with better link to policy objectives.
## FINANCING THE EU BUDGET

Simplification and diversification of revenue sources

<table>
<thead>
<tr>
<th>Modernisation of existing own resources</th>
<th>New Own Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Added Tax-based:</strong> Simplified</td>
<td>% of Common Consolidated Corporate Tax Base (CCCTB)</td>
</tr>
<tr>
<td><strong>Traditional Own Resources</strong></td>
<td>% of revenues from Emissions Trading System (ETS)</td>
</tr>
<tr>
<td>(mainly Customs duties):</td>
<td>National contribution based on non-recycled plastic packaging waste</td>
</tr>
<tr>
<td>Lower collection costs (20% ⇒ 10%)</td>
<td>No rebates</td>
</tr>
<tr>
<td><strong>GNI-based contribution:</strong> Smaller share</td>
<td>Phasing out mechanism</td>
</tr>
<tr>
<td></td>
<td>Higher Own Resources Ceiling</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Other revenues</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Revenues of new European Travel Information and Authorisation System (ETIAS)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: European Commission*
TRADITIONAL OWN RESOURCES:

WHAT? Customs duties on extra-EU imports

WHY? Stem from the Customs Union and have been there from the outset of the European project

HOW? Proposed to decrease amounts retained by Member States from 20% to 10% of Customs duties

Current situation: amounts retained by Member States (20% of Customs duties) 

Source: Commission services
GROSS NATIONAL INCOME-BASED OWN RESOURCE:

WHAT? Keep balancing role in EU revenues, but lower weight as other own resources increase

WHY? Gross National Income remains the broadest measure of Member States' ability to pay
REFORM THE VALUE ADDED TAX-BASED OWN RESOURCE

WHAT? A national contribution based on the Value Added Tax applicable on standard-rated supplies in each Member State

WHY? Keeps a direct link with the Single Market. VAT is the only EU-wide harmonised tax

HOW? 1% call rate on the standard-rated VAT base

WHEN? As from 2021

HOW MUCH? € 25 billion / year on average in 2021-27 (14% of total revenue)
# NEW OWN RESOURCES

<table>
<thead>
<tr>
<th></th>
<th>Common Consolidated Corporate Tax Base</th>
<th>Emissions Trading System</th>
<th>Plastic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WHAT</strong></td>
<td>National contribution based on the Common Consolidated Corporate Tax Base</td>
<td>Small share of the revenues generated by the Emissions Trading System</td>
<td>National contribution based on the quantity of non-recycled plastic packaging waste that is generated in each Member State</td>
</tr>
<tr>
<td><strong>WHY</strong></td>
<td>Benefits of Single Market&lt;br&gt;EU policy against tax-base erosion</td>
<td>Single carbon price across the EU&lt;br&gt;EU budget invests in renewables &amp; energy efficiency</td>
<td>EU Plastic Strategy and Circular economy&lt;br&gt;Incentive to reduce waste &amp; increase recycling of plastic packaging</td>
</tr>
<tr>
<td><strong>HOW</strong></td>
<td>3% of net taxable profits of multinational companies allocated to Member States</td>
<td>20% of revenues from auctioning ETS allowances</td>
<td>€ 0.80 * kg of non-recycled plastic packaging waste</td>
</tr>
<tr>
<td><strong>WHEN</strong></td>
<td>As from 2023</td>
<td>As from 2021</td>
<td>As from 2021</td>
</tr>
<tr>
<td><strong>HOW MUCH</strong></td>
<td>€ 12 billion</td>
<td>€ 3 billion</td>
<td>€ 7 billion</td>
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<tr>
<td></td>
<td><strong>Average estimated revenue over 2021-2027</strong></td>
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</table>
FINANCING THE EU BUDGET

Development of sources for financing of the EU budget

% of GNI

- Financial contributions
- Traditional Own Resources (mainly customs duties)
- Statistical Value Added Tax-based Own Resource
- Other (surplus, fines, ...)

Source: European Commission
PHASING OUT REBATES

**Current system**

- Complex and non-transparent: UK rebate, rebates on rebate, reduced Value Added Tax call rate for some Member States, lump-sum reductions
- Excessive focus on net balances (*juste retour*)

**New system**

- Aim: fair contributions across Member States
- Avoids significant and sudden increases in national contributions in 2021
- Transparent: current rebates (except UK) converted into equivalent lump-sums
- Gradually abolished over 5 years (2021-25)
OWN RESOURCE CEILING

- Current ceiling 1.20% of Gross National Income (GNI) – too low for 2021-2027
  - Ceiling for payments MFF 2021-27: € 1 105 billion (or 1.08% of forecast GNI)
  - Need safety margin in case of economic downturns
  - Safety margin guarantees loans to Member States or third countries backed by EU budget

- Own Resource Decision proposal: raise the ceiling for payments from 1.20% to 1.29% of GNI (and ceiling for commitments to 1.35%)
  - The new ceiling includes the European Development Fund
LEGAL ARCHITECTURE OF THE PROPOSALS

Art. 322(2) TFEU
(\textit{where necessary}) Implementing acts
Art. 311(4) TFEU
Implementing measures
Art. 311(3) TFEU
Own Resource Decision

Making Available + Value Added Tax Own Resource Regulations
## LEGAL ARCHITECTURE OF THE PROPOSALS

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Own Resource Decision</th>
<th>Implementing Measures on the System of Own Resources</th>
<th>Making Available Regulation (MAR2)</th>
<th>Value Added Tax Own Resource Regulation</th>
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<tbody>
<tr>
<td></td>
<td>COM(325)</td>
<td>COM(327)</td>
<td>COM(326)</td>
<td>COM(328)</td>
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<td></td>
<td><strong>Special legislative procedure:</strong></td>
<td><strong>Special legislative procedure:</strong></td>
<td><strong>Qualified Majority vote + European Parliament consent</strong></td>
<td><strong>Qualified Majority vote + European Parliament opinion</strong></td>
</tr>
<tr>
<td></td>
<td>Unanimity in Council + European Parliament opinion</td>
<td>Qualified Majority vote + European Parliament consent</td>
<td>Draft transmitted to national Parliaments</td>
<td></td>
</tr>
<tr>
<td>What’s in each act</td>
<td>Own Resource Decision COM(325)</td>
<td>Implementing Measures on the System of Own Resources COM(327)</td>
<td>Making Available Regulation (MAR2) COM(326)</td>
<td>Value Added Tax Own Resource COM(328)</td>
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<tr>
<td>Includes main elements of Own Resource system:</td>
<td>Practical measures to make the Own Resource system more flexible, within the limits set out by own Resource Decision</td>
<td>Provisions on the making available of the new Own Resource</td>
<td>Introduces a simplified Value Added Tax Own Resource system</td>
<td></td>
</tr>
<tr>
<td>- Own Resource categories</td>
<td>- Own Resource ceiling</td>
<td>- Own Resource ceiling</td>
<td></td>
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<td>- Maximum call rates</td>
<td>- Correction mechanism</td>
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</table>
ENTRY INTO FORCE, RETROACTIVITY, TRANSITIONAL PROVISIONS

Own Resource Decision shall apply (if necessary, retroactively) from 1.1.2021

Exception: Common Consolidated Corporate Tax Base (CCCTB) shall apply from the second year after the CCCTB Directive has been transposed by Member States.

The rest of the Own Resource legislative package (Implementing Regulation on the System of Own Resources, Making Available Regulation, Value Added Tax Own Resource Regulation) shall enter into force and apply together with the Own Resource Decision.

Making Available Regulation (MAR2) transitional provision: to ensure that data shall be provided right after the Regulation enters into force.