Brussels, 14 June 2018

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WORKING PAPER

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MEETING DOCUMENT

<table>
<thead>
<tr>
<th>From:</th>
<th>General Secretariat of the Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>To:</td>
<td>Working Party on Own Resources</td>
</tr>
<tr>
<td>Subject:</td>
<td>MFF 2021-2027: Own Resources legislative package</td>
</tr>
<tr>
<td></td>
<td>- Commission Fiches No 7 to 11</td>
</tr>
</tbody>
</table>

In view of the meeting of the WP on Own Resources on 15 June 2018, delegations will find attached 5 fiches which address a set of written questions sent by delegations. Please note that some questions (on CCCTB and more general ones) will be addressed later in July.
WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Assumptions underlying the Commission projections of traditional own resources, Value Added Tax-based own resources, new own resources and other revenue

1. INTRODUCTION

This fiche addresses technical questions submitted for both the ad-hoc working group on the Multiannual Financial Framework and the working party on own resources. It summarises the assumptions for traditional own resources, Value Added Tax-based own resources, new own resources and other revenue.

2. PROJECTIONS OF TRADITIONAL OWN RESOURCES AND VALUE ADDED TAX-BASED OWN RESOURCES

The projections underlying the Commission proposals on the Multiannual Financial Framework 2021-2027 and the Own Resource Decision are based on the following simple and robust assumptions:

Estimates for 2018:
- drawn from the adopted Budget 2018 for both traditional own resources and Value Added Tax-based own resources.

Projections for 2019-2027:
- Traditional Own Resources: starting from the level in 2018, gross customs duties are projected to grow over the period 2019-2027 at the same rate as the nominal Gross National Income of each Member State. Gross National Income in current prices of each Member State for 2019 is based on the Spring 2018 Economic Forecast. Gross National Income in current prices of each Member State for the period 2020-2027 is established based on the long-term macro-economic projection for Gross Domestic Product growth rates and price deflators as provided in fiches 2 and 3. Net customs duties are calculated by deducting collection cost that is retained by Member States. The projections account for the proposed reduction in the Member States’ retention rate from 20% to 10% as from 2021. The projections do not account for possible structural changes in external trade patterns of the remaining EU27 Member States due to the United Kingdom becoming a third country, as the terms of the future trade relationship between the Union and the United Kingdom were unknown at the time of the publication of the Multiannual Financial Framework proposal. EU Sugar levies no longer apply as from 2018 in accordance with Article 124 of Regulation (EU) No 1308/2013.
- **Value Added Tax-based own resource**: starting from the level in 2018, the current Value Added Tax base is projected to grow at the same rate as nominal Gross National Income of each Member State in 2019 and 2020. The Value Added Tax base is capped at 50% of national Gross National Income and the relevant call rate (0.30% or 0.15%) applied. As from 2021, the current Value Added Tax base is replaced by the reformed base (uniform percentage of corrected net Value Added Tax receipts in 2015 divided by the standard rate). Starting from the level in 2015, the reformed Value Added Tax base is projected to grow at the same rate as the nominal Gross National Income of each Member State. The reform removes the cap on the Value Added Tax base and the reduced call rates for some Member States.

3. **PROJECTIONS OF PROPOSED NEW OWN RESOURCES**

- **Common Consolidated Corporate Tax Base-based own resource**: this new own resource is assumed to provide revenues to the EU budget starting in 2023, in order to allow for the adoption and transposition of Directive COM(2016) 683 final, and for the necessary implementing rules to be adopted by national tax administrations and applied by the tax payers. The revenues estimated in the Own Resources Decision are based on the application of the proposed 3% call rate on the tax base represented by the taxable profits of companies subject to the mandatory scope of the Directive, consolidated across the EU and apportioned by Member State. Estimated revenues are based on the CORTAX model and projected to grow at the same rate as nominal Gross National Income of each Member State. Actual Gross National Income growth rates are used until 2017. Gross National Income in current prices of each Member State for 2018 and 2019 is based on the Spring 2018 Economic Forecast. Gross National Income in current prices of each Member State for the period 2020-2027 is established based on the long-term macro-economic projection for Gross Domestic Product growth rates and price deflators as provided in fiches 2 and 3.

- **Emission Trading System-based own resource**: Revenues in the period from 2021-2027 are estimated to be within a range of EUR 1 to EUR 3 billion based on an assumed carbon price ranging between EUR 10 and 25. With respect to the volume of allowances that will be auctioned by Member States over the period from 2021 to 2030, it is also assumed that the share of auctioned allowances will remain stable as compared to phase 3 at around 55% excluding the Modernisation Fund. Notwithstanding the uncertainties relating to the price and to the volume available for auctions in the relevant period, this estimate constitutes a sound basis for the legislative proposal. It relies on publicly available information for budgetary purposes and does not constitute a forecast. None of the information that the Commission may have obtained as a result of its regulatory role in the Emissions Trading System has been used in the present context.

- **Own resource based on non-recycled plastic packaging waste**: the forecast on the quantity of plastic packaging waste that is not recycled for each year of the 2021-2027 period is based on two assumptions. First, the quantity of plastic packaging waste in the EU-27 will increase by 2% per year. Secondly, the recycling rate for plastic packaging waste will gradually increase to meet the EU target of 50% in 2025 and 55% in 2030. The increase in the quantity of waste is thus to a certain extent compensated by the increase of the recycling rate. Therefore, the quantity of plastic packaging waste that is not recycled, as well as the proceeds of the own resource based thereon, are expected to remain rather stable over the period concerned.

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1. Given the narrower base, the capping at a level of 50% of Gross National Income would in practice not apply anyhow.
4. **PROJECTIONS OF OTHER REVENUE**

Other revenue includes staff contributions, revenue accruing from the administrative operation of the institutions, contributions and refunds in connection with Union agreements and programmes, interest on late payments and fines, revenue from EU borrowing and lending operations, and miscellaneous revenue. Most of these items as well as surpluses from previous years are difficult to project, given their inherent volatility. Therefore, the amount budgeted for other revenue in the 2018 budget (EUR 1.85 billion) is assumed to remain nominally constant over the period 2019-2027. Fiche 10 provides an overview of 'other revenue' in the past.

The United Kingdom’s payments on outstanding commitments and liabilities at the end of 2020 due in line with the terms agreed in the draft withdrawal agreement will also constitute other revenue.
WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Technical questions for the MFF Working Group and Working Party
Own Resources: Emissions Trading System based Own Resources

1. RATIONALE

The Emissions Trading System is a genuinely EU-wide instrument, with a legal framework harmonized at EU level and a market that creates a single carbon price across the EU for the sectors covered. The Emissions Trading System is for this reason a suitable candidate for a new Own Resource.

2. THE EMISSIONS TRADING SYSTEM-BASED OWN RESOURCE AS SUPPORT TO EU CLIMATE CHANGE POLICY

- Emission mitigation targets: European Heads of State and Government have set as part of the 2030 Climate and Energy Framework adopted in October 2014 three key targets, including at least 40% cuts in greenhouse gas emissions (from 1990 levels). The proposal on the Emissions Trading System-based own resource aligns with these targets and the EU's commitment under the Paris Climate Agreement.

- Continued ability to finance low carbon technologies: 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 the climate action.

- Ability to provide indirect cost compensation: Furthermore, Member States will continue to be able to provide state aid for the compensation of indirect costs, i.e. costs faced by electro-intensive industries due to the fact that the carbon price is passed on in electricity prices.

3. SCOPE OF THE EMISSIONS TRADING SYSTEM BASED OWN RESOURCE

- Scope: The specific situation of low income Member States has been duly taken into account when designing the Emissions Trading System-based own resources, namely through the exemption of the 10% auction volume redistributed for the purpose of solidarity and
growth to ten lower income Member States as well as the allowances dedicated to the Modernisation Fund. In addition, the Own Resource does not affect allowances allocated for free to industry, assumed to represent 43% of the total cap. Aviation allowances as well as the allowances dedicated to the Innovation Fund are also excluded.

The proposed own resource contribution is equal to 20% of the revenues generated by the auctioning of the allowances distributed to Member States on the basis of 2005-2007 emissions (90% of allowances to be auctioned pursuant Art. 10-2-a of the Emissions Trading System Directive).

- **Revenues over the MFF Period:** The Emissions Trading System-based own resource is generated by the proceeds from allowances that are auctioned and the value of allowances allocated for free to the power sector in 10 lower income Member States (if use is made of the corresponding option provided by the EU Emissions Trading System Directive).

The EU Emissions Trading System is consequently expected to provide for significant source of revenues from the auctioning of allowances.

- **Definition of allowances freely allocated to the power sector:** For the period as from 2021, the market value of allowances freely allocated to the power sector is defined in Article 10c(3) of the Emissions Trading System Directive. Before allowance are allocated for free pursuant to Article 10c, the market value of the relevant allowances is determined to check whether investments of equivalent value in the modernisation of the power sector have been carried out. The same market value will be the basis for the own resource contribution.

The Commission recalls that the proposed 20% contribution for the Emissions Trading System -based own resource would be calculated on the amount of allowances available to Member States for auctioning, i.e. prior to any reduction of the national auction volume for the purpose of the Article 10c derogation (but after the 10% solidarity allowances are subtracted). In this case, the contribution is equal to 20% of the market value of these allowances. This is the only way to ensure that Member States’ decisions as to whether or not to use the Article 10c derogation is taken independently of budgetary considerations relating to the own resource.

4. **DATA AND ASSUMPTIONS FOR REVENUE ESTIMATES**

- **Absence of annual revenue forecasts:** The Commission only provides a rough estimate of the average annual revenues from the Emissions Trading System -based own resource over the MFF period (2021-2027) for budgetary purposes. It does by no means forecast the evolution of revenues from the auctioning of allowances as such over this period of time.

- **Annual Budgetary cycle:** In the course of the annual budget cycle, Member States and the Commission agree in April on budgetary forecasts related to all Own Resources for the next year, notably in order calculate the uniform call rate for the Gross National Income-based contributions. The methodology of these 'forecasts' can be agreed between the Commission and the Member States in the framework of the Advisory Committee on Own Resources.
(ACOR). As the evolution of revenues from the auctioning of allowances cannot be projected, 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.

**- Difference between the current estimate and the impact assessment for the 2030 framework:** The green paper on the 2030 climate & energy framework published in 2013 and provides different scenarios for 2030 and 2050 with different carbon prices than those used in the current estimate (from 11 to EUR 53/ton CO2 eq.). These scenarios however have a long term perspective. In the case of the Emissions Trading System -based own resources, the estimates, which are mentioned in the accompanying Staff Working Document, address a much shorter period of time and are consistent with the carbon price observed over the recent years and expectations from independent market analysts.

**5. OPERATIONALISATION OF THE EMISSIONS TRADING SYSTEM -BASED OWN RESOURCE**

**- Absence of additional administrative costs:** The Own Resource will rely on the existing operational set-up of the Emission Trading System. It is therefore expected that the collection of the revenues will entail no significant administrative costs for the Commission and the Member States.

**- Compliance:** The information on the number of auctioned allowances and the revenue collected is publicly available from the auction platforms. However, it is a good administrative practice and in line with operational modalities of other own resources for Member States to submit to the Commission these data, as they will be used for control purposes.
WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Technical questions by delegations of the MFF Working Group and the Working Party Own Resources: national contribution based on plastic packaging waste that is not recycled.

1. GENERAL QUESTIONS

- Polluter Pays Principle and Subsidiarity: The Commission examined various options of how the problems identified in the context of the Strategy on Plastics could be addressed through the Own Resources System\(^1\). The introduction of new EU-wide taxes on production or the harmonisation of excise duties on consumption were considered problematic for economic, competitiveness and subsidiarity reasons respectively.

The plastic own resource in the form of a national contribution will provide an incentive for the Member States to reduce plastic packaging waste and increase its recycling. It is in line with the objectives of the polluter pays principle. The Own Resources proposal does however not prescribe any specific measures to the Member States.

- Substitutability with packaging materials other than plastics: Under the waste legislation, Member States have to take measures to ensure the recycling of all packaging waste streams. Many of the other packaging waste streams have actually higher recycling targets than plastic packaging. The risk that other, non-recyclable packaging materials replace plastic is therefore limited.

2. PLASTIC WASTE STATISTICS

- Current Reporting obligations and deadlines: In order to limit administrative costs, the new own resource will be based on already existing reporting obligations. Pursuant to Commission Decision 2005/270/EC, data on plastic packaging waste generation and

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\(^1\) At the round table, which took place on 22 March 2018 and was chaired by the Commission, stakeholders expressed their views as regards measures of fiscal nature to reduce pollution from plastics. The roundtable concluded on the need to, first, fight pollution and stimulate recycling including by measures of a fiscal nature; secondly avoid "plastic leakage" and stimulate innovation and third, preserve subsidiarity.
recycling are reported by Member States 18 months after the reference year. The reporting deadline is 30 June. Data are publicly available on the Eurostat website two months after.

- **State of play of reporting:** The Commission (Eurostat) works closely with Member States to ensure timely submission of data. For the latest reference year – 2015 – two countries have not yet reported but the Commission is in contact with the administration of these Member states to ensure that they comply with their reporting obligations as soon as possible. The Commission has already used its enforcement powers to ensure that Member States report waste statistics within the deadline set in the legislation.

- **Data Quality:** A careful review of Plastic Packaging Waste statistics demonstrates that data quality has improved over time. It is considered fit for the purpose for many Member States already now. Moreover, recently adopted legislation will further improve the reliability of relevant data.

- **State of Play of the Amendment of the Packaging Waste Directive:** The amendment of the Packaging and Packaging Waste Directive was adopted in May 2018 and it is due for publication in the OJ in June 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 old rules, 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.

### 3. Compliance

The Commission will strictly enforce the Packaging and Packaging Waste Directive and its implementing rules related to the submission of data.
12 June 2018

WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Overview of other revenue (EU budget income other than own resources)

1. INTRODUCTION

This fiche explains the legal and budgetary characteristics of 'other revenue' as used in the Commission documents accompanying the proposal for the Multiannual Financial Framework 2021-2027.

It also addresses the questions of delegations asking for an overview of existing and possible future other revenue.

2. TREATY PROVISIONS

The Article 311 Treaty on the Functioning of the EU provides that ‘without prejudice to other revenue, the budget shall be financed wholly from own resources’.

This article is in the first instance to be understood as the primary treaty base for the own resources system, stipulating that own resources should be the principle source of income for the EU budget. Yet it also clarifies that the EU budget can - at least in part – draw on sources of revenue other than the own resources as well.

3. CATEGORIES OF OTHER REVENUE

In the General Statement of Revenue, the own resources are budgeted under title 1.

The excerpt of the General Statement of Revenue for the Budget 2018 (see Annex 1) and the overview of the budget execution in Annex 2 show that:

(i) titles 3 to 9 cover revenue from a wide range of income sources encompassing for example the surplus from the previous year, contributions from third parties for the participation in certain programmes and income stemming from interests and fines or penalties due to infringement of EU law;

(ii) apart from the own resources of title 1, the other sources of revenue contributed 11.7% of the total revenue on average from 2014 to 2017. If one excludes from these other sources also the surpluses, balances and adjustments of title 3, the average from 2014 to 2017 is close to 8%;
(iii) some of these other sources of revenue show considerable variation from year to year;

(iv) at the beginning of the budgetary year many revenue lines carry a ‘p.m.’ entry. These revenue items are not known when the budget for year n is first adopted and no (or only very conservative) amounts can be budgeted ‘ex ante’ on many lines.

Revenue such as contributions from third parties or fines for late interest payments can only be entered in the course of budget execution. Therefore a more complete picture of other revenue is only visible in year n+2.

4. **Legal Bases of 'Other Revenue' Items.**

Titles 1 and 3 are governed by the own resources legislation, as they relate directly to own resources\(^1\).

‘Other’ revenue sources are anchored in secondary law and subject to a variety of decision procedures, including ordinary procedure. Examples are the EU competition rules or the expenditure programme regulations which allow the participation of third countries (plus corresponding contracts). This implies that these revenue items – since they have in principle no impact on national budgets – normally do not require unanimity in Council or ratification by all Member States like the Own Resources Decision. For example, the Regulation (EC 443/2009) setting emission performance standards for new passenger cars as part of the Community’s integrated approach to reduce CO2 emissions from light-duty vehicles includes a provision under its Article 9(4): “The amounts of the excess emission premiums shall be considered as revenue for the general budget of the EU.” In the annual budget, a token entry (p.m.) under Chapter 71 Fines, Article 711 assures the ‘structure d’accueil’ in case such premiums materialize\(^2\).

### Tablet 7

**Interest on Late Payments and Fines**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>710</td>
<td>Fines, periodic penalty payments and other penalties</td>
<td>100 000 000</td>
<td>1 415 000 000</td>
<td>4 124 682 904.05</td>
<td>4 124.68</td>
</tr>
<tr>
<td>711</td>
<td>Excess emissions premiums for new passenger cars</td>
<td>p.m.</td>
<td>p.m.</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>712</td>
<td>Penalty payments and lump sums imposed on a Member State for not complying with a judgment of the Court of Justice of the European Union on its failure to fulfil an obligation under the Treaty</td>
<td>p.m.</td>
<td>50 000 000</td>
<td>49 406 800.00</td>
<td>99.99</td>
</tr>
<tr>
<td><strong>CHAPTER 71 — TOTAL</strong></td>
<td></td>
<td><strong>100 000 000</strong></td>
<td><strong>1 465 000 000</strong></td>
<td><strong>4 174 089 704.05</strong></td>
<td><strong>4 174.09</strong></td>
</tr>
</tbody>
</table>

(source: excerpt from Budget 2016)

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\(^1\) Title 2 in the past covered financial contributions, which became obsolete with the introduction of the present own resources system.

\(^2\) The amounts thus collected are sporadic and modest. In two cases have such premiums been collected and budgeted so far.
5. **General vs Earmarked Revenue**

The principle of universality of revenue is grounded in the own resources decision and in the financial regulation. The totality of revenue shall cover the totality of expenditure. Inter alia, this principle serves to shield programmed expenditure from the volatility of certain income sources. 'By default', other revenue will therefore be budgeted as *general revenue and thus* diminish the needs for residual Gross National Income (GNI-) based contributions.

A well-known example of 'other revenue' is the fines stemming from competition/cartel cases; but there are others like the excess emission premiums for new passenger cars, Article 711 of the general budget. Penalties on Member States, stemming from European Court of Justice Infringement cases (many from environmental legislation) are registered in the same chapter. In recent years, infringement fines from the environmental realm have amounted to EUR 284 million.

Exceptions to the principle of universality have to be provided for in the Financial Regulation or directly in the legal act that gives rise to the revenue itself. Revenue which is explicitly recorded as assigned revenue is typically meant to deliberately re-enforce specific budget lines on the expenditure side; it should lead to additional spending possibilities which are not counted against the authorized annual appropriations or Multiannual Financial Framework ceilings. Therefore, such revenue does not lead to a reduction of the residual Gross National Income-based own resource.

7. **Projections of Other Revenue**

In the Explanatory Memorandum of the Own Resources Decision (COM (2018) 325 final, p.9), the Commission states that it should be a matter of principle that revenue which is directly generated by the implementation of EU policy and the enforcing of common Union level rules should accrue by default to the EU budget. The fees for the 'visa waivers' in the context of the recently agreed Regulation on European Travel Information and Authorisation System (ETIAS) are cited by way of example. This principle is not linked to a specific provision in the proposed legislation. It is meant to be a guideline for future legislative decision making. In the making of sectoral policy and legislation, the generation of budgetary income should remain a subordinate consideration.

Regarding estimations of future budgetary income from sources other than own resources, the Commission follows a conservative approach keeping the amount of the Budget 2018 nominally constant, considering the volatility and unpredictability of these sources (see also Fiche 7 on 'Assumptions for own resources').

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1. From the budget 2017 onwards, these fines will be budgeted under Item 7190 of the general budget
2. Article 2(2) of the Own Resources Decision (both proposed and previous version) is not directly linked to this argument. This paragraph was already introduced in the Council Decision 70/243 ECSC, EEC, Euratom on the Replacement of Financial Contributions from Member States by the Communities' own Resources in 1970.
## ANNEX 1: Overview Revenue Titles

### 2. FINANCING OF THE GENERAL BUDGET

#### B. GENERAL STATEMENT OF REVENUE BY BUDGET HEADING

**Revenue**

<table>
<thead>
<tr>
<th>Title</th>
<th>Heading</th>
<th>Budget 2018</th>
<th>Budget 2017</th>
<th>Outturn 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. OWN RESOURCES</td>
<td></td>
<td>142 832 334 754</td>
<td>115 483 788 464</td>
<td>132 165 834 976.64</td>
</tr>
<tr>
<td>3. SURPLUSES, BALANCES AND ADJUSTMENTS</td>
<td></td>
<td>p.m.</td>
<td>6 404 329 791</td>
<td>1 357 560 665.03</td>
</tr>
<tr>
<td>4. REVENUE ACCRUING FROM PERSONS WORKING WITH THE INSTITUTIONS AND OTHER UNION BODIES</td>
<td></td>
<td>1 547 408 825</td>
<td>1 490 362 072</td>
<td>1 451 857 463.91</td>
</tr>
<tr>
<td>5. REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTIONS</td>
<td></td>
<td>45 020 050</td>
<td>70 200 866</td>
<td>579 194 066.40</td>
</tr>
<tr>
<td>6. CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH UNION AGREEMENTS AND PROGRAMMES</td>
<td></td>
<td>110 000 000</td>
<td>60 000 000</td>
<td>5 928 273 253.25</td>
</tr>
<tr>
<td>7. DEFAULT INTEREST AND FINES</td>
<td></td>
<td>115 000 000</td>
<td>3 230 000 000</td>
<td>3 175 480 154.09</td>
</tr>
<tr>
<td>8. BORROWING AND LENDING OPERATIONS</td>
<td></td>
<td>6 186 061</td>
<td>6 928 060</td>
<td>41 334 476.24</td>
</tr>
<tr>
<td>9. MISCELLANEOUS REVENUE</td>
<td></td>
<td>25 001 000</td>
<td>25 001 000</td>
<td>17 250 760.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>144 680 980 699</strong></td>
<td><strong>126 770 711 165</strong></td>
<td><strong>144 716 765 836.23</strong></td>
</tr>
</tbody>
</table>
## OVERVIEW OF REVENUES OF THE EU BUDGET 2014-2017

<table>
<thead>
<tr>
<th>Title</th>
<th>Heading</th>
<th>2014</th>
<th>% of revenue</th>
<th>2015</th>
<th>% of revenue</th>
<th>2016</th>
<th>% of revenue</th>
<th>2017</th>
<th>% of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Own resources</td>
<td></td>
<td>128,866,678,682</td>
<td>89,53</td>
<td>130,738,028,248</td>
<td>89,17</td>
<td>132,165,834,977</td>
<td>91,33</td>
<td>115,415,936,798</td>
<td>83,02</td>
</tr>
<tr>
<td>3 Surpluses, balances and adjustments</td>
<td></td>
<td>5,100,054,026</td>
<td>0,34</td>
<td>8,031,205,137</td>
<td>0,54</td>
<td>1,357,560,665</td>
<td>0,09</td>
<td>6,416,271,649</td>
<td>5,62</td>
</tr>
<tr>
<td>4 Revenue accruing from persons working with the institutions and other union bodies</td>
<td></td>
<td>1,251,228,830</td>
<td>0,87</td>
<td>1,328,550,809</td>
<td>0,91</td>
<td>1,451,857,464</td>
<td>1,00</td>
<td>1,136,978,487</td>
<td>0,82</td>
</tr>
<tr>
<td>5 Revenue accruing from the administrative operation of the institutions</td>
<td></td>
<td>578,079,504</td>
<td>0,40</td>
<td>563,178,944</td>
<td>0,38</td>
<td>579,194,066</td>
<td>0,40</td>
<td>281,615,150</td>
<td>0,20</td>
</tr>
<tr>
<td>6 Contributions and refunds in connection with Union agreements and programs</td>
<td></td>
<td>3,224,982,237</td>
<td>2,24</td>
<td>4,197,795,189</td>
<td>2,86</td>
<td>5,928,273,253</td>
<td>4,10</td>
<td>12,165,473,967</td>
<td>8,75</td>
</tr>
<tr>
<td>7 Interest on late payments and fines</td>
<td></td>
<td>4,606,681,827</td>
<td>0,29</td>
<td>1,703,065,169</td>
<td>1,16</td>
<td>3,175,480,154</td>
<td>2,19</td>
<td>3,572,609,506</td>
<td>2,57</td>
</tr>
<tr>
<td>8 Borrowing and lending operations</td>
<td></td>
<td>297,309,339</td>
<td>0,20</td>
<td>42,413,818</td>
<td>0,30</td>
<td>41,334,476</td>
<td>0,30</td>
<td>28,396,476</td>
<td>0,20</td>
</tr>
<tr>
<td>9 Miscellaneous revenue</td>
<td></td>
<td>15,103,275</td>
<td>0,01</td>
<td>19,392,981</td>
<td>0,01</td>
<td>17,230,761</td>
<td>0,01</td>
<td>5,938,203</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>143,940,117,721</strong></td>
<td>100,00</td>
<td><strong>146,623,630,294</strong></td>
<td>100,00</td>
<td><strong>144,716,765,816</strong></td>
<td>100,00</td>
<td><strong>139,023,220,235</strong></td>
<td>100,00</td>
</tr>
</tbody>
</table>

Source:
Consolidated Annual Accounts of the European Union (2014-2016)
Provisional Annual Accounts of the European Commission (2017)
WORKING DOCUMENT OF THE COMMISSION SERVICES

Subject: Clarifications on the reformed Value Added Tax-based own resource proposal

1. CALCULATION METHOD: APPLICATION TO A BASKET OF GOODS

The method for calculating the European Union revenues stemming from the reformed Value Added Tax own resource is simplified. It can be schematically summarised as follows:

(1) To calculate national receipts from standard-rated supplies, the common Union share of standard rated supplies (45%) is applied to the net receipts collected in a given year. They may be corrected, when necessary, for territorial specificities or infringements to the Value Added Tax Directive.

(2) From this amount, the standard-rated taxable base is calculated by dividing the standard-rated receipts by the national standard rate.

(3) Finally, a call rate of 1% is applied to the national standard-rated taxable base in order to calculate the Member State’s contribution to the European Union budget.

Table 1: Application of the new calculation method to Value Added Tax receipts collected in year n from a basket of goods

<table>
<thead>
<tr>
<th>Example of supply</th>
<th>Medicine</th>
<th>Newspaper</th>
<th>Food item</th>
<th>Television set</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of supply (net of Value Added Tax) - €</td>
<td>20.00</td>
<td>2.50</td>
<td>40.00</td>
<td>100.00</td>
<td>162.50</td>
</tr>
<tr>
<td>Category of rate</td>
<td>Zero</td>
<td>Super-reduced</td>
<td>Reduced</td>
<td>Standard</td>
<td></td>
</tr>
<tr>
<td>Applicable rate (%)</td>
<td>0%</td>
<td>4%</td>
<td>10%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Value Added Tax receipts - €</td>
<td>NIL</td>
<td>0.10</td>
<td>4.00</td>
<td>22.00</td>
<td>26.10</td>
</tr>
</tbody>
</table>

Step 1 – Calculation of the standard rated share

Total Value Added Tax receipts * Common Union Share = 26.10 * 45% = 11.75

Step 2 – Calculation of the tax base for Own Resource

Standard-rated receipts divided by standard rate = 11.75 / 0.22 = 53.41

Apply the call rate of 1% to get the contribution = 53.41 * 1% = 0.53

Note: For simplicity, the total receipts shown in the table are not concerned by corrections due to territorial specificities or infringements to the Value Added Tax Directive; so, they can be considered as “Corrected net receipts”.

Date: 12 June 2018
2. **INSPECTION ACTIVITY AND THE ADVISORY COMMITTEE ON OWN RESOURCES**

The new standard-rated Value Added Tax-based own resource will be inspected for the remaining elements in a simpler way than under the present system. When comparing annexes 2 and 3, the radical simplification becomes strikingly evident.

The net receipts are defined as collected Value Added Tax in a Member State minus refunds to the taxable persons in a given calendar year. Non-collected Value Added Tax is not considered. Should the Value Added Tax accounts contain other elements than Value Added Tax, as e.g. fines or interest, those elements are not considered. The inspection activity would be for net receipts very much as today. That is to say, the statement’s net receipt amount is verified against the Member State’s Value Added Tax accounts. The amount is also compared with independent sources like the national Court of Auditors audit reports, or what is included in the discharge documentation presented to the national Parliament.

The second statement heading relates to the corrections. Corrections are of two kinds. Firstly, corrections for the various territorial considerations. These are territories that are considered to be outside the Value Added Tax territory, and that in the Member States’ Accession Treaty or other comparable legal act have been deemed for Value Added Tax own resource purposes to be treated as any other part of the five (of EU27) Member States concerned. Secondly, as the Value Added Tax own resource base reflects transactions that are taxable in accordance with the Value Added Tax Directive, when a Member State infringes or is otherwise in non-alignment with the European Union’s Value Added Tax law, a corresponding correction will need to be made to the Value Added Tax own resources calculation. When relevant, the inspection activity related to corrections concentrates on these two aspects.

Following the verification that the corrected net receipts are accurate and that the common Union share has been correctly applied, the last inspection topic would be to verify that the national standard rate of Value Added Tax has not changed in the calendar year. If it has, a substituting pro rata temporis percentage needs to be calculated also taking into account the delay in collection.

Turning to the Advisory Committee on Own Resources, the Committee will fulfill its purpose regarding the full basket of own resources, including the reformed and simplified Value Added Tax-based own resource. That is to provide a forum for transparency, a base for equal treatment, peer review, and as an opportunity for methodology review and improvements.

**Annexes:**

1) Examples of annual statement summary tables for the present, and
2) The reformed Value Added Tax own resource base calculations
3) Details on the change

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1 Corrections or compensations for the territorial scope under Articles 6 – 7 of the Value Added Tax Directive are calculated by Estonia, Finland, France, Spain, Sweden and the United Kingdom

2 Presently, seven out of the 27 Member States are in that situation
Annex 1: Annual statement under the current methodology

Statement Summary Table – VAT Own Resources for MemberState X financial year 201n

<table>
<thead>
<tr>
<th>Code</th>
<th>Receipts</th>
<th>Used currency: e.g. EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.1</td>
<td>Receipts</td>
<td></td>
</tr>
<tr>
<td>R.2</td>
<td>Fines and interest (-)</td>
<td></td>
</tr>
<tr>
<td>R.3</td>
<td>Recovery costs (+)</td>
<td></td>
</tr>
<tr>
<td>R.4</td>
<td>Small taxed enterprises (-)</td>
<td></td>
</tr>
<tr>
<td>R.5.1</td>
<td>Other corrections (+)</td>
<td></td>
</tr>
<tr>
<td>R.5.2</td>
<td>Other corrections (-)</td>
<td></td>
</tr>
<tr>
<td>R.6</td>
<td>Graduated tax relief (+)</td>
<td></td>
</tr>
<tr>
<td>R.7.1</td>
<td>Flat-rate farmers (+)</td>
<td></td>
</tr>
<tr>
<td>R.7.2</td>
<td>Flat-rate farmers (-)</td>
<td></td>
</tr>
<tr>
<td>R.T</td>
<td>Net receipts</td>
<td></td>
</tr>
<tr>
<td>W</td>
<td>WAR (%)</td>
<td>%</td>
</tr>
<tr>
<td>IB</td>
<td>Intermediate base</td>
<td></td>
</tr>
<tr>
<td>SE.1</td>
<td>Small exempt enterprises (+)</td>
<td></td>
</tr>
<tr>
<td>SE.2</td>
<td>Small exempt enterprises (-)</td>
<td></td>
</tr>
<tr>
<td>Annex X, part A of Dir 2006/112/EC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XA.1</td>
<td>Dental technicians (-)</td>
<td></td>
</tr>
<tr>
<td>XA.2</td>
<td>Public radio and TV (-)</td>
<td></td>
</tr>
<tr>
<td>XA.3</td>
<td>Buildings and building land (-)</td>
<td></td>
</tr>
<tr>
<td>XA.4</td>
<td>Travel agents (-)</td>
<td></td>
</tr>
<tr>
<td>XA.T</td>
<td>Total Annexe X, part A</td>
<td></td>
</tr>
<tr>
<td>Annex X, part B of Dir 2006/112/EC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>XB.1</td>
<td>Admission to sporting events (+)</td>
<td></td>
</tr>
<tr>
<td>XB.2</td>
<td>Liberal professions (+)</td>
<td></td>
</tr>
<tr>
<td>XB.3</td>
<td>Public telecommunication (+)</td>
<td></td>
</tr>
<tr>
<td>XB.4</td>
<td>Cremation and undertakers (+)</td>
<td></td>
</tr>
<tr>
<td>XB.5</td>
<td>Blind persons (+)</td>
<td></td>
</tr>
<tr>
<td>XB.6</td>
<td>War victims’ commemoration (+)</td>
<td></td>
</tr>
<tr>
<td>XB.7</td>
<td>Private hospitals (+)</td>
<td></td>
</tr>
<tr>
<td>XB.8</td>
<td>Public water (+)</td>
<td></td>
</tr>
<tr>
<td>XB.9</td>
<td>New buildings and building land (+)</td>
<td></td>
</tr>
<tr>
<td>XB.10</td>
<td>Passenger transport (+)</td>
<td></td>
</tr>
<tr>
<td>XB.11</td>
<td>Aircraft (+)</td>
<td></td>
</tr>
<tr>
<td>XB.12</td>
<td>Warships (+)</td>
<td></td>
</tr>
<tr>
<td>XB.13</td>
<td>Travel agents (+)</td>
<td></td>
</tr>
<tr>
<td>XB.T</td>
<td>Total Annexe X, part B</td>
<td></td>
</tr>
<tr>
<td>RD.C</td>
<td>Cars (-)</td>
<td></td>
</tr>
<tr>
<td>RD.E</td>
<td>Expenditures on cars (-)</td>
<td></td>
</tr>
<tr>
<td>Other compensations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC.1</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.2</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.3</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.4</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.5</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.6</td>
<td>Insert subject matter here (+)</td>
<td></td>
</tr>
<tr>
<td>OC.7</td>
<td>Remaining, with ref to table in statement (+)</td>
<td></td>
</tr>
<tr>
<td>OC.8</td>
<td>Insert subject matter here (-)</td>
<td></td>
</tr>
<tr>
<td>CT</td>
<td>TOTAL Compensations</td>
<td></td>
</tr>
</tbody>
</table>

Final VAT base
Annex 2: Annual statement under the new methodology

<table>
<thead>
<tr>
<th>Statement Summary Table – VAT Own Resources for MemberState X financial year 201n</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Used currency: e.g. EUR</strong></td>
</tr>
<tr>
<td><strong>Receipts</strong></td>
</tr>
<tr>
<td>Net receipts</td>
</tr>
<tr>
<td>Territorial scope</td>
</tr>
<tr>
<td>Infringements</td>
</tr>
<tr>
<td><strong>Corrected net receipts</strong></td>
</tr>
<tr>
<td>Common Union share</td>
</tr>
<tr>
<td>National standard rate (%)</td>
</tr>
<tr>
<td><strong>Final VAT base</strong></td>
</tr>
</tbody>
</table>
Annex 3: Details on the proposed changes

How the system will work?

The new system will be the same except for the elements that have been dropped (see annex 1 and 2 for comparison). Starting point remains to be collected net receipts. All compensations are taken out, all corrections except for non-alinment with the Value Added Tax Directive and territorial scope under Articles 6 – 7 of that are also done away with. The weighted average rate is no longer necessary.

The so-called audit trail will be kept as it is as the correctness of the starting point, now without most corrections, the weighted average rate and compensations, will remain more important for the calculation than before.

With the new Value Added Tax statement, it is evident that the reporting requirements for the Value Added Tax-based own resource is immensely simplified. The work surrounding the Article 12-report remains very similar to the situation under the present set-up.

Check and Control

Checks and control will be simplified. Member States should look at the present inspections and imagine that without the weighted average rate and compensations. That is except infringements and some territorial aspects that both are moved to be corrections instead. Receipts remain the same. The common Union share and the conversion from corrected net receipts are pure arithmetical and non-complicated.

Calculation

Like today, collected Value Added Tax receipts minus refunds are the starting point taken from the Member State’s Value Added Tax accounts for a given calendar year. Corrections are necessary for the territorial aspects mentioned in Articles 6 – 7 of the Value Added Tax Directive, and for any non-alignment situation when that Directive is not respected.

Common Union Share

To give legal certainty to all stakeholders, the 45% should be considered as constant. That is why the proposal does not include any provision for changing it, or time limit for its validity.

The proposal assumes that 45% of the net receipts in a Member State are standard rated. No other consideration is given to the specific mix between different rates.

Assuming that the reform enters into force in 2021, the last weighted average rate would be calculated for the financial year 2020, submitted before the 31 July of 2021 and inspected within two years of submission.