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FICHE 2
GNI-BASED OWN RESOURCE

1. CONTEXT

Since 1988, GNP/GNI-based contributions constitute own resources. These contributions result from the application of a call rate to Member States' GNP/GNI bases. This resource has since then been the keystone of the own-resources system for financing the EU budget, given that it provides the revenue required to cover expenditure in excess of the amount yielded by Traditional Own Resources and VAT-based contributions. The GNI-based resource ensures that the EU budget is always balanced, and by doing so, it is the guarantor of the stability in budget revenues in the medium term, within the overall ceiling for the total amount of own resources that may be collected for the EU budget (1.23 % of EU GNI).

The present system of own resources can be defined as a final transfer to the EU. The formal adoption of each year's budget thus imposes a legal obligation on each Member State to make available the payments due to the EU under this budget. This explains the particularly arduous, formal procedure needed for the adoption of basic decisions in this field.

The GNI-based own resource is made available on the first working day of each month, usually at the rate of one-twelfth of the amount inscribed in the EU budget. This payment is guaranteed by Article 11 of Regulation (EC, Euratom) No 1150/2000, as last amended by Regulation (EC, Euratom) No 2028/2014 which provides that interest payments will be imposed on any Member State which fails to credit the amounts on time.

2. ASSESSMENT IN RELATION WITH THE CRITERIA IDENTIFIED BY THE GROUP

1. Equity/Fairness: the GNI-based own resource respects both principles of equity and fairness in the sense that it provides that Member States with a superior economic strength and higher GNI contribute more to the EU budget. Nevertheless, it has been argued that overall, the present system of 'national contributions' is 'regressive' in the sense that, broadly speaking and mainly as a result of the corrections including the reductions of the GNI-based contribution for some Member States, Member States with a lower GNI per capita do not contribute a lower share if 'national contributions' are expressed as a percentage of their GNI. Its redistributive effect between Member States and between taxpayers is therefore less clear and, in any case, only indirect.

2. Efficiency: the GNI-based own resource is based on agreed GNI estimates. The figures from the national and European statistic authorities are discussed with the Commission annually in the Advisory Committee on Own Resources. Once the GNI data is final, it is annually communicated to the GNI Committee that formally provides the figures to the Commission for the adjustments to the GNI contribution of each individual Member State. This exercise provides a clear and fair procedure.

3. Sufficiency and Stability: the GNI-based own resource, by virtue of its flexibility, is instrumental in providing stability and sufficiency to the revenue of the EU budget as it is the "residual" or balancing resource to the EU budget. However, because it is the adjustment variable and usually 'fine-tuned' several times in the course of budget execution, it is somewhat of a moving target which can create difficulties during annual budget negotiations.

4. Transparency and Simplicity: GNI-based contributions are simple, based on the weight of each Member State GNI in the total EU GNI. However, the system is becoming more opaque and complex with the introduction of corrections and reductions for some Member States[1]. Additionally, GNI based own resource nature, and consequently the EU's financial autonomy, is sometimes obscured by the fact that the own resources payments often appear in the national budgets and may therefore seem to be conditional on the vote of the national parliaments and to compete with national expenditure. These national procedures have, however, no legal implications since under the Union's legislation the transfer of resources is automatic.

5. Democratic accountability and budgetary discipline: the GNI-based own resource as part of the overall financing system of the EU budget is subject to the European Parliament scrutiny and to the Court of Auditors controls.

6. Focus on European added value and constrain narrow self-interest: there is no link between the GNI-based own resource and the EU's acquis.

7. Subsidiarity principle and fiscal sovereignty of member states: the same GNI calculation rules apply to each Member State.

8. Limit political transactions costs: the GNI-based own resource can be strongly influenced by political, economic and financial factors internal to each Member State, and can create constraints to the negotiations of the EU budget when it is mostly seen as a national contribution. This fosters the idea that these contributions are conditional on the vote of the national parliaments and are to compete with national expenditure, which builds into a political pressure on the national authorities to reduce them.

3. WEAKNESSES OF THE GNI-BASED OWN RESOURCE

GNI-based own resource is considered to be a national contribution to the EU budget and somehow seen as being conditional on the vote of the national parliaments and to compete with national expenditure.

GNI-based own resource corrections and reductions granted to some Member States have in the present system a 'regressive' character, endangering principles of fairness, equity, simplicity and transparency. Its various adjustments in the course of budget execution can also raise stability concerns and difficulties for national budgets management.

Additionally, its present dominance on EU budget's financing, first intended to be simply the 'residual' element on the revenue side reveals itself one of the more problematic aspect of the GNI-based own resource.

[1] To mitigate imbalances of net contributions, corrections by means of lump sum reductions have been introduced. The Own Resources Decision of 2007 introduced a temporary reduction in the GNI resource contribution for the Netherlands and Sweden for the period 2007–13 only, of an annual amount of EUR 605 million and EUR 150 million respectively (in constant 2004 prices). The cost of these lump sums is borne by all Member States in proportion to their GNI. Under the new Own Resources Decision of 2014, these lump sums will be replaced by new ones, which were agreed for the period 2014–20 only: EUR 695 million for the Netherlands, EUR 185 million for Sweden and EUR 130 million for Denmark (in constant 2011 prices). Austria will benefit from a phased-out lump sum of EUR 30, 20 and 10 million for 2014, 2015 and 2016 respectively.

4. ESTIMATE OF REVENUE FOR THE EU BUDGET

By definition, the GNI-based own resource is not linked to a particular source or tax but draws on general budget revenue in the Member States. It does not rely on the proceeds of any particular revenue source. On average, the share of GNI own resource in total own resources reached around 75% over the last 5 years. In the EU budget 2015 the actual amount estimated to be received amounts to EUR 104,5 billion.