Brussels, 22 September 2015

INFORMATION ON THE EU BUDGET'S OWN RESOURCES

1. Information on the EU budget's own resources

1.1 What are the own resources of the EU budget for the period of the 2014-2020 multiannual financial framework (MFF)?

As under the system applied in the 2007 - 2013 MFF three types of own resources will remain:

- Traditional own resources: consist mainly of customs duties on imports from outside the EU and sugar levies. EU Member States are to keep 20% of the amounts as collection costs.
- Own resources based on value added tax (VAT): a uniform rate of 0.3% is levied on the harmonised VAT base of each Member States.
- Own resources based on GNI: each Member State transfers a percentage of its GNI to the EU. Although designed simply to cover the balance of total expenditure not covered by the other own resources, this has become the largest source of revenue of the EU budget.
- Other sources of revenue include tax and other deductions from EU staff remunerations, bank interest, contributions from non-EU countries to certain programmes, interest on late payments and fines.

1.2 What is the share of each of the resources of the EU budget?

Those fluctuate from one year to another, but typically GNI based contribution account for some 70% of the EU budget (73,71% in 2013); traditional own resources (TOR) usually represent about 12% (10,14% in 2013) and the VAT own resource about 10% (9,38% in 2013). The rest comes from various, smaller sources of revenue.

1.3 How is the own resources system decided?

The system of EU own resources is adopted by unanimity in the Council and ratified by all Member States. The European Parliament is consulted.

1.4 How does the system of own resources work?

The overall amount of own resources needed is determined by total expenditure minus other revenue. It cannot exceed 1.23% of the EU's GNI.

The collection of own resources is planned in annual budgets on the basis of estimations which are updated on a regular basis prior to adoption, during the implementation and even after the execution of an annual EU budget.

The Member States' contributions, based on their GNI, are calculated only after all calculations (on the two other own resources, other revenue and the rebates) are made, as it used to ensure the expenditure and revenue in each EU annual budget is balanced.

1.5 What are the "correction mechanisms" for the 2014-2020 multiannual financial framework?

These mechanisms are measures to correct budgetary imbalances considered excessive and include:

- The UK rebate: **the UK** is reimbursed by 66% of the difference between its contribution and what it receives back from the budget. The cost of the UK rebate is divided among EU Member States in proportion to the share they contribute to the EU's GNI. **Germany, the Netherlands, Austria and Sweden**, who considered their relative contributions to the budget to be too high, pay only 25% of their normal financing share of the UK correction.

- Lump-sum payments: **Denmark, the Netherlands and Sweden** will benefit from gross reductions in their annual GNI contribution of EUR 130 million, EUR 695 million and EUR 185 million, respectively. **Austria** will benefit from a gross reduction in its annual GNI contribution of EUR 30 million in 2014, EUR 20 million in 2015 and EUR 10 million in 2016. Call rates for the VAT-based own resource for **Germany, the Netherlands and Sweden** will be fixed at 0.15%.

2. Information on the high-level group

2.1 What is it?

The high-level group on own resources (HLGOR) was established in February 2014 by the Presidents of the European Commission, the European Parliament and the Council of the European Union to further the reflexion on the future financing of the EU budget. This memo recalls the role, mandate and functioning of this one-of-a-kind inter-institutional group and provides some background information on own resources (see glossary).

2.2 What is the purpose of the high-level group?

The group has been set up to study the current system of income to the EU budget. It is expected to suggest possible improvements to that system. The main aim of the group is to explore ways to make the system simpler, fairer, more transparent and more democratically accountable.

2.3 What does it do?

The group is undertaking a general review of the current own resources system and will issue a first assessment at the end of 2014, taking into account all existing and forthcoming input from the European Commission, the Parliament and the Council and national Parliaments. It will draw on appropriate expertise, including from national budgetary and fiscal authorities and independent experts.

National parliaments will assess the outcome of the work in the context of an inter-parliamentary conference in 2016. The conclusions and/or recommendations of that conference will determine whether the Commission will make a proposal to improve the own resources system.

2.4 Who is in the high-level group?

The group is chaired by former Italian Prime Minister and EU Commissioner Mario Monti, plus three members for each the European Parliament, the European Commission and the Council:

Ivailo Kalfin, Alain Lamassoure and Guy Verhofstadt for the European Parliament Daniel Daianu from Romania, Ingrida Šimonytė from Lithuania and prof. Clemens Fuest from Germany for the Council.

First Vice-President Frans Timmermans (Better Regulation, Inter-institutional Relations, the Rule of Law, the Charter of Fundamental Rights), Vice-president Kristalina Georgieva (Budget and Human Resources) and Commissioner Pierre Moscovici (Economic & Financial Affairs, Taxation & Customs) for the Commission.

2.5 Why was the high-level group on own resources created?

The Commission's proposal for the new Multiannual Financial Framework 2014-2020 included a new, more transparent and fairer system of financing the EU budget that would reduce Member States' Gross National Income (GNI)-based contributions due to new proceeds from a future financial transaction tax for the EU budget and a new modernized Value Added Tax (VAT)-based resource. The Commission also proposed to simplify the existing correction mechanisms that apply to a number of Member States through lump sum gross reductions of their GNI contributions. The negotiations brought no significant changes to the way the next EU budgets will be financed but called for the establishment of the high-level group on own resources.

2.6 How much will it cost the European taxpayer?

Very little: the group uses existing logistical resources and infrastructure (staff, meeting rooms, etc.) and its members are not remunerated.

3. Glossary

- **Correction mechanisms** - Measures taken to compensate Member States whose contribution to the EU budget is perceived as being too high compared to their relative wealth and the benefits they get out of the EU budget. There are several types of corrections, including the so-called 'rebate'.

- **MFF** - The multiannual financial framework lays down the spending priorities and maximum annual amounts which the European Union may spend in different political fields over a fixed period. Currently the MFF is seven years long, from 2014 to 2020.

  The ceilings laid down in the MFF regulation are not equivalent to the EU budget. The annual EU budget itself usually remains below the MFF expenditure ceilings. The MFF also covers income sources for the EU budget, as well as correction mechanisms for the financial period.

- **Own resources** - simply, this is the revenue of the EU budget. There are three types of revenue:

  - **Traditional own resources (TOR)** - consist mainly of customs duties on imports from outside the EU, and sugar levies. Member States are to keep 20% of the amounts as collection costs.

  - **GNI-based resources** - this is commonly referred to as Member States' contribution to the EU budget. Each Member State transfers a standard percentage of its Gross National Income to the EU.

  - **VAT-based resources** - a uniform rate of 0.3% of the harmonised VAT base is transferred to the EU budget from each Member State.