



**European
Movement**
International

Policy Position EU Own Resources

The current system of raising funds for the EU budget predominately from Member State contributions is inefficient and leads to horse-trading and public disagreement. This undermines the EU's ability to function effectively and has a negative impact on the way citizens perceive the Union. It also contradicts the initial intention of the Treaties which foresaw national contributions as only a small part of the EU budget.



An alternative model based on own resources is needed. This is desirable for several reasons. A bigger share of own resources in the EU budget would allow the EU to be more flexible in shaping and implementing its policies, while creating a clear connection between the EU's goals and its budget. It would also allow for the gradual replacement of national contributions, which accentuate the net payer debate and contradict the principle of EU solidarity, eventually making the EU budget more independent from Member State contri-

butions. Furthermore, own resources would provide the necessary tools to react adequately to economic shocks, providing solutions to the structural shortcomings in the setup of the current Economic and Monetary Union, and providing resources to invest in sustainable growth and recovery measures.

Fiscal Capacity for the Eurozone: own resources needed

Own resources are especially mentioned with regard to the setup of a fiscal capacity for the Economic and Monetary Union. A fiscal capacity for the EMU would function as a Eurozone budget, and could be used to promote structural reforms, increase economic convergence, and mitigate asymmetric macro-economic shocks. The funds for this purpose could be drawn from own resources, while the budget would be developed within the EU's Multiannual Financial Framework and coupled with a strengthened, more legitimate and democratically accountable European Economic Governance.

Key elements in the development of EU own resources

To set up a system of EU own resources, several criteria are key for the development of an efficient, stable and fair system, as outlined below.

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Any form of taxation on the European level should not constitute an additional tax burden, and thus has to be coupled with a reform of taxes on other levels.

Whereas the introduction of own resources focuses on the income-side of the European Budget, a reform of the income-side should go hand in hand with a reform of the expenditure-side, in particular with regard to the efficiency of EU spending.

As all of the possible own resources have their own particular drawbacks (for example in terms of sufficiency, stability, or efficiency), a system could be envisaged that combines several different own resources in order to minimise, for example, fluctuation in the influx of own resources.

A clearer link between EU policy objectives and its financing sources should be an important criteria in the selection of forms of own resources. The Financial Transaction Tax and Carbon Tax are very promising in this respect.

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A clearer link between citizens and the EU budget is very desirable. The European VAT and European Corporate Income Tax offer opportunities in this respect, especially if citizens were to have a say on the form and level of the taxes via their vote for the European Parliament.



The EU budget should gradually become more independent from Member State contributions. Phasing out GNI-based contributions will reduce the net-payer debate, where contributions are regarded as expenditure instead of returns on EU policy.

Possible own resources

Stakeholders have put forward different options to europeanise the EU budget and at the same time create a direct link between citizens and the EU, as well as between the EU's income and expenditure. For example, own resources could be generated through European levies, while avoiding an increase in the general tax burden on citizens. A non-exhaustive list of possible European levies and other forms of own resources is:

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Financial Transaction Tax: a Financial Transaction Tax would combine a substantial financial contribution to the EU budget with fiscal fairness, ensuring that financial institutions contribute to the costs of the economic crisis and penalising financial speculation.

Carbon Tax: a Carbon Tax according to the polluter-pays principle can be used to fight climate change and promote the transition to renewable energy.

European VAT: the current EU budget already encompasses a small VAT component, but an EU Value Added Tax can be envisaged as a direct contribution to the EU, visible on every receipt and invoice.

European Corporate Income Tax: this tax would allow for a direct link to citizens, especially if the EU were the sole body responsible for the tax rate. It would also increase efficiency in the Internal Market. The European Commission is currently working on a Common Consolidated Corporate Tax Base.

Aviation Tax: a tax on aviation emissions could also be used to fight cli-

mate change and reach EU policy objectives, and would be visible for all EU citizens on their plane tickets.

-Emissions Trade System revenue: the EU Emissions Trade System could also be used to raise revenues, which would allow for a direct link between the revenues and the energy/climate policy objectives of the EU.

European Central Bank profits / transfer of seigniorage revenue: the yearly profit of the European Central Bank could be transferred to the EU, making use of the funds already available on the EU level. It offers the opportunity to create the nucleus of a Eurozone budget that can be used to counter asymmetric economic shocks and support structural reforms.

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Eurobonds: the common issuance of debt could also provide resources in the form of borrowings, while increasing financial and monetary stability by reducing contagion between sovereign states and the banking system.

“By transforming the ECB’s profits into an own resource of the EU, we would – without making treaty-change necessary – create the nucleus of a Eurozone budget within the EU’s general budget, that is much needed to counter asymmetric economic shocks and to support structural reforms within the single currency.”

Jo Leinen, President, European Movement International



Background

The issue of own resources for the European Union is back on the agenda, with the High Level Group on Own Resources currently working on a comprehensive report on possible EU own resources. Their final report is expected at the end of 2016. In the meantime, the European Parliament

is working on its own initiative report “Budgetary capacity for the Eurozone – consequences for the EU budget, complementarities and parliamentary control”, and the European Commission declared the Financial Transaction Tax proposal a priority pending proposal for 2016.

The European Movement

seeks to provide a platform to encourage and facilitate the active participation of citizens and stakeholders in the development of European solutions to our common challenges. We offer thought leadership on the issues that affect Europe and we give the opportunity to representatives from European associations, political parties, enterprises, trade unions, NGOs and other stakeholders, through our 39 National Councils and 34 International Associations, to work together, towards improving the way that Europe works.

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