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Press Release
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EU revenues: new proposal not based on fully robust assumptions and still complex, say Auditors

A proposed reform of the way money is raised to fund the EU remains complex, according to an Opinion published today by the European Court of Auditors. The auditors identify a number of issues with the proposed reform and call for changes to improve how it would operate.

Since 1988, the funds collected from Member States for the EU budget, known as "own resources", have been grouped under three main categories: customs duties, value added tax and a percentage of Gross National Income (GNI). The European Commission has proposed changing the system for the new 2021-2027 multi-annual financial framework.

The Commission's proposal would retain customs duties, but with a lower retention rate of collection costs for Member States, keep the GNI-based contribution as a significant source of revenue and simplify the VAT element. These three own resources would make up 87% of EU revenue. There would also be three new own resources, based on a new common tax scheme for EU companies, on the EU's Emissions Trading System and on unrecycled plastic packaging waste.

In addition, the Commission proposes phasing out the current system of corrections, from which some Member States benefit, increasing the revenue ceilings to offset the impact of Brexit and of the European Development Fund's integration into the EU budget.

"*EU financing has not had a major overhaul for 30 years*," **said Eva Lindström, the Member of the European Court of Auditors responsible for the Opinion**. "*Parts of the proposal will help to simplify the system, for example, the simplification of the VAT element and the phasing-out of corrections. However, overall the proposed system remains complex and we find it is not always based on fully robust assumptions.*"

The auditors identify several issues with the Commission's proposal:

- the corporate tax proposal is subject to the tax directive being adopted at EU and national level, and will at best be phased in several years into the new budget period;

The purpose of this press release is to convey the main messages of the Opinion adopted by the European Court of Auditors.
The full Opinion is on www.eca.europa.eu

ECA Press

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- the emissions-based proposal does not provide additional incentives for Member States to cut greenhouse gases and is unstable, since emissions allowance prices are highly volatile;

- better data is needed for the calculations in the plastic packaging waste proposal, and analysis should take into account behavioural changes.

- the simplified VAT system includes assumptions that do not adhere to some of the Commission's own steps on how to calculate this resource.

The auditors therefore recommend that the European Parliament and the Council should ask the Commission to:

- assess the likelihood of applying the corporate tax-based resource during the next budget period;

- clarify that the emissions-based resource does not create additional incentives for Member States to cut greenhouse gases, and analyse the impact of its volatility;

- consider how revenues from the plastic waste-based resource may fall, due to changes in consumer behaviour;

- reconsider the VAT proposal.

Note to Editors

The European Court of Auditors contributes to improving EU financial governance by publishing opinions on proposals for new or revised legislation with a financial impact. The opinions are used by the legislative authorities — the European Parliament and the Council — in their work.

ECA Opinion No 5/2018 on the Commission's proposal on the new system of Own Resources of the European Union is currently available in English on the ECA website eca.europa.eu – other languages will be added in due course.