



Press release

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EU auditors welcome proposal to simplify calculation of EU financing system's VAT element

As legislative negotiations on the new system of EU financing continue, the Council of the EU is proposing to simplify the calculation of Member States' value added tax (VAT)-based contributions to the EU budget. According to the auditors, the proposal significantly simplifies the current calculation process. However, they suggest introducing a review mechanism to ensure more accuracy in cases where, for instance, VAT policies in Member States change significantly.

VAT-based contributions are a major source of revenue for the EU: they accounted for 11 % of the EU budget in 2019 (€17.8 billion). The other main revenue sources – known as “EU own resources” – are “traditional own resources” (i.e. custom duties) and contributions based on the Member States' gross national incomes.

The current system for calculating the VAT-based own resource is complex. The Council is proposing to simplify this calculation method, notably by using a ‘definitive’ Weighted Average Rate (WAR) frozen at its 2016 value for the entire 2021-2027 multiannual financial framework. The Council proposal also includes amended provisions on the submission of VAT statements and the review procedure for corrections, and introduces a reporting process on the functioning of the VAT-based own resource system. However, the auditors see a risk that using this frozen multiannual WAR may not produce a reasonably accurate calculation of some Member States' VAT-based contributions.

“The Council proposal to simplify the VAT element of the EU financing system is welcome, as we have always called for streamlining of the calculation methods for this source of revenue,” said Eva Lindström, the member of the European Court of Auditors responsible for the Opinion. “To prevent possible distortions, however, we suggest a review mechanism, to be used, for instance, in cases where Member States make significant changes to their VAT policies.”

Opinion No 11/2020 is available on the ECA website (eca.europa.eu) in English; other EU languages will follow shortly. The European Court of Auditors previously called for simplifications in its 2018 [Opinion on the new system of Own Resources of the European Union](#).

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