EUROPEAN COURT OF AUDITORS

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Press Release

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GNI-based payments to EU budget: auditors call for more focused checks

GNI (gross national income) data is an important basis for calculating Member States' contributions to the EU budget. The verification of this data is not sufficiently focused, according to a new report by the European Court of Auditors. Although Eurostat (the EU's statistical office) was effective overall in identifying and addressing high-risk issues for GNI data compilation, it did not systematically check high-risk issues and countries in the highest risk category first, and did not always conduct those checks early enough. For example, Eurostat did not react promptly to the issue of multinationals relocating their businesses for tax purposes.

EU countries' GNI-based contributions constitute the EU budget's largest income source. In 2021, they amounted to €116 billion, about two thirds of the budget. Eurostat checks the quality of EU countries' GNI data in multi-annual cycles, and can ask them to adjust their initial estimates – which are the basis for the Commission' calculation of their contributions – upwards or downwards. The auditors checked whether Eurostat managed its verifications well during the latest 2016-2019 cycle.

"*It is important to ensure that the EU countries' GNI-based contributions to the EU budget are fair and predictable*," said Marek Opioła, the ECA member who led the audit. "*For verifications to be effective and efficient, cross-cutting issues and countries with the highest risk factor should be in Eurostat's priority lane for checks.*"

The predictability of GNI-based contributions depends on whether the verification cycle – usually lasting four or five years – is completed on time, and on how quickly Eurostat informs the countries of its results. The auditors found that Eurostat had completed checks as planned and provided the countries with timely information on adjustments. However, many issues – 20 % more than after the previous cycle – remained open in the form of "reservations", so the countries concerned could potentially be asked to pay more in the future.

The novel use of risk assessments and thresholds helped Eurostat to identify and mitigate the risks by allowing it to determine the most important issues for follow-up, but Eurostat did not make full use of the results of this approach to prioritise verifications for cross-cutting issues and high-risk countries. Eurostat assigned a risk category of high, medium or low to all EU countries. However, it only carried out its checks early in the cycle, and before checking the lower-risk ones, for three of the seven high-risk countries. In fact, around a quarter of specific reservations at the end of the

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report. The full report is available at eca.europa.eu.

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verification cycle concerned the four high-risk countries that had not been effectively prioritised. Furthermore, it checked too many issues with a low impact on GNI. Eurostat also does not assign priority to the issues it flags, which increases the risk that countries may address lower-impact issues first. The auditors say Eurostat should focus its work more on high-risk issues with the highest potential impact on the GNI, as this could potentially reduce the number of reservations and make EU countries' budgetary contributions more predictable.

Eurostat did not react promptly to the high-risk issue of multinationals relocating their operations or assets to benefit from advantageous tax regimes, even though the accounting issues involved were already known several years before the verification cycle began. Eurostat also decided to place a reservation for this issue only for the period after 2018, leaving the impact from earlier years uncertain. Some countries' GNI payments could be incorrect, as their pre-2018 accounts may not have been calculated accurately; others, such as Ireland, reported reliable data.

Background information

Every EU country pays to the EU budget a contribution calculated as a percentage of its GNI. This "call rate" is the same for all countries, but can vary from one year to another (for example, it was 0.84 % in 2021). In absolute terms, Germany made the largest GNI-based contribution (€29.6 billion) in 2021, followed by France (€20.3 billion) and Italy (€14.5 billion). In the past, EU countries had had difficulties with paying large additional amounts at short notice. In 2014, revisions of GNI data led to unprecedented adjustments amounting to almost €10 billion, with the impact greater for some countries than for others: the UK, for example, had to pay an additional €2.1 billion, or 21 % on top of its originally budgeted contribution. In July 2016, Ireland reported an increase of 24 % (€39 billion) in the GNI data for 2015 compared to 2014, due to the relocation of the assets of a few large multinationals. Three countries reported to Eurostat in 2017 that, since 2010, they had observed specific cases where companies had relocated substantial assets to or from their country.

Special report 25/2022, "Verification of gross national income for financing the EU budget: Risks in data compilation well covered overall, but scope for increased prioritisation of actions", is available on the ECA website. The ECA's previous report on this topic, in 2013, concluded that the 2007-2012 verification cycle was only partially effective.

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