EUROPEAN
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OF AUDITORS

EN

Press Release

Luxembourg, 5 October 2021

EU revenue-collection proposals show promise, but don't go far enough

The system used for financing the European Union's budget has not been significantly reformed since 1988. Recently proposed changes to how the EU collects revenue, which will ensure a level playing field between Member States, are generally a step in the right direction, but there is room for improvement. That is the main conclusion of the European Court of Auditors, whose Opinion on a proposed revision of the EU's revenue-collection procedures has been issued today.

There are three main sources of revenue for the European Union's budget: traditional own resources (TOR), an own resource based on Member States' gross national income (GNI), and another based on value-added tax (VAT). In 2021, the system of EU financing was reformed with some changes to two of these revenue sources (TOR and VAT-based contribution). A new own resource based on non-recycled plastic packaging waste was also introduced. The key piece of legislation behind the EU's revenue collection is the Making Available Regulation (MAR), for which the European Commission proposed some amendments. The European Court of Auditors (ECA) has welcomed some of these changes, but points out areas where the legislative proposal has some drawbacks.

"*Some of the proposed modifications to the EU's revenue streams make a lot of sense,*" said Marek Opioła, the ECA member responsible for the Opinion. "*Those on how the EU's own resources are made available to the EU will provide greater predictability for Member States and help reduce the administrative burden for the European Commission. But other proposals are not as promising. For example, the proposed procedures for dispute resolution are different in part from the rules set out in other existing regulations, which may add complexity to the system of own resources and affect legal certainty*".

The ECA also points out that the proposed rules for managing irrecoverable amounts do not make the system more straightforward and it is not demonstrated that they will increase the efficiency of revenue collection. And in some cases, such as changes to treasury management, there simply isn't enough information available to make it possible to assess how much benefit the new rules will bring.

The ECA generally welcomes the proposed changes to how late payments by Member States are dealt with. It concludes that these changes are likely to bring about efficiency gains - though it acknowledges that the number of cases affected each year by the changes will be relatively small. The ECA notes that extending the capping of interest on late payments to old cases may result in financial benefits for a few Member States.

In its Opinion, the ECA makes suggestions on how the changes to the rules could be improved. It suggests that there should be a single review procedure in the EU's system for resolving disputes with Member States in connection with own resources. It also suggests that the legislators reconsider the introduction of a general time limit for removing irrecoverable debts from TOR accounts.

Finally, the ECA regrets that the legislative proposal amending the MAR did not benefit from a general merger of all provisions in force on the EU's revenue-collection arrangements, which would make the system simpler and more transparent.

Background information

Opinion No 2/2021 is available on the ECA website in English; other EU languages will follow shortly. The European Court of Auditors also contributed to legislative negotiations on the new system of EU financing with its 2018 Opinion on the Commission´s proposal on the new system of Own Resources of the European Union and 2020 Opinion on the proposal to simplify calculation of EU financing system's VAT element.

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