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NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Own Resources and potential new sources of revenue
– *Non-paper of the Commission services*

In view of the meeting of the Economic and Financial Affairs Council on 9 July 2019, delegations will find attached a non-paper of the Commission services on Own Resources and potential new sources of revenue.

Non-Paper of the Commission Services

OWN RESOURCES AND POTENTIAL NEW SOURCES OF REVENUE

As part of the Multiannual Financial Framework package proposed in May 2018, the Commission has proposed to modernise the financing of the EU budget, including a simplification of the existing system and a diversification of revenue sources. The proposed reform of the Own Resources System includes a **"basket" of new Own Resources** linked to EU environment and single market policies – a national contribution calculated on the amount of non-recycled plastic packaging waste in each Member State; 20 % of the revenues from the Emissions Trading System; a share of the new Common Consolidated Corporate Tax Base to be phased in once the necessary legislation has been adopted.

The diversification of own resources as proposed by the Commission would align the EU budget more closely with national economic cycles and EU policy implementation. The three new own resources are estimated to yield on average around **EUR 22 billion annually over 2021 – 2027**. This corresponds to an estimated 12 % of the Union budget's revenue – which otherwise would need to be covered by Member States' contributions based on their Gross National Income.

As reflected in the Presidency's progress report, the **plastic packaging waste-based Own Resource** met the largest support among Member States. The entry into force of the amended Packaging and Packaging Waste Directive in July 2018, introducing more harmonised calculation rules for the new recycling targets and a higher level of comparability across Member States has facilitated the discussions on data availability. As regards the other new Own Resources proposed in May 2018, the Emissions Trading System has received support by some Member States. The Common Consolidated Corporate Tax Base has been discarded as an Own Resource due to the lack of progress on this file in the Council.

At the same time, some Member States have called on the Commission **to explore possible other new sources of revenue**, in particular linked to the internal market and/or the environment. The Commission has always expressed its willingness to look into new Own Resources should they be supported by Member States.

Identifying a **fresh source of genuine EU income** that would not tap into existing sources of public revenue could point the way forward. New sources of revenues would reduce national contributions and thus free up resources that would otherwise need to be provided by national budgets. They could help bridge the gap between the necessary levels of expenditure, in a context of increasing challenges for the EU budget, and the need to contribute from existing national contributions. Against this background and considering the call by Member States, other new own resources could be considered.

Ministers could invite the Ad hoc Working Party on the Multiannual Financial Framework / Working Party on Own Resources to have an initial exchange in view of examining relevant new own resources. This is without prejudice to an agreement on the Own Resource decision. The Commission stands ready to elaborate the options should there be an indication of support by the Member States.

Making swift progress on Own Resources will be decisive for reaching an agreement on the Multiannual Financial Framework package overall.