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#### **'I/A' ITEM NOTE**

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Presidency progress report on new own resources

#### **I. INTRODUCTION**

In line with the conclusions of the European Council of 17-21 July 2020<sup>1</sup>, the Interinstitutional Agreement of 16 December 2020<sup>2</sup> (IIA) foresees the work towards the introduction of new own resources (NOR), which should raise an amount that is corresponding to the expected expenditure for the repayment of the principal and the interest of the funds borrowed to be used for expenditure referred to in point (b) of Article 5(1) of the Own Resources Decision (NextGenerationEU, grants part). The IIA also sets out a roadmap towards the introduction of NOR and provides that the Council should deliberate on a first package before 1 July 2022 (with a view to introducing it on 1 January 2023) and on an additional second basket of own resources by 1 July 2025 (with a view to introducing it by 1 January 2026).

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<sup>1</sup> Doc. EUCO 10/20 (paragraphs A29, 145-150).

<sup>2</sup> Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (OJ L 433I, 22.12.2020, p. 28).

In this context, the Commission presented in December 2021 a proposal to amend the Decision on the system of own resources of the European Union<sup>1</sup>, which would include three NOR based on: the EU emissions trading system (ETS), a carbon border adjustment mechanism (CBAM)<sup>2</sup> and a national contribution to the EU budget based on the share of the residual profits of the largest and most profitable multinational enterprises re-allocated to Member States ('Pillar I').

On 20 June 2023, the Commission presented an adjusted package for the next generation of own resources. The package includes a new amendment to the Own Resources Decision (ORD)<sup>3</sup> (amending the December 2021 proposal) by introducing a new own resource based on statistics on company profits (CPOR) as well as adjustments following the adoption of the sectoral legislation on the CBAM and on the revision of the ETS.

The adjusted package also includes two amended proposals concerning the implementing measures of the OR system, including new amendments to the making available regulation (MAR)<sup>4</sup> and to the implementing measures (IMSOR)<sup>5</sup> proposals from March 2022, which were also accompanied by a Staff Working Document<sup>6</sup>. These proposals contain the adjustments needed to reflect the co-legislators' agreement as regards the CBAM collection and include new provisions concerning the statistical-based own resource. The rules on the own resource based on the share of the re-allocated profits ('Pillar I') remains in the ORD proposal.

This report, including the recommendations formulated in it, builds on the work undertaken by previous Presidencies and is drawn up under the responsibility of the Polish Presidency.

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<sup>1</sup> Doc. 15260/21.

<sup>2</sup> The Commission also published, on 14 July 2021, legislative proposals on CBAM and on the revision of the ETS. Both regulations were adopted in May 2023.

<sup>3</sup> Doc. 10853/1/23 REV1.

<sup>4</sup> Doc. 10855/1/23 REV1.

<sup>5</sup> Doc. 10854/1/23 REV1.

<sup>6</sup> Doc. 10853/23 ADD1. The Staff Working Document (SWD) assesses the main own resource candidates suggested by the European Parliament, as well as their potential as NOR according to three criteria: revenue potential, simplicity and fast mobilisation of revenues.

## II. STATE OF PLAY

The work of the Polish Presidency has been twofold: on the one hand, it has looked into the **functioning of the current system of own resources**. On the other, it has encouraged discussion between Member States on **the adjusted package for the next generation of own resources**.

To this aim, it has organised six meetings on 20 January, 28 February, 13 March, 29 April, 22 May and 5 June.

### *Functioning of the current system of own resources*

Working Party on Own Resources started its work with discussion on the **Commission's report on the functioning of the VAT-based own resource system<sup>1</sup>**.

The report highlighted the overall achievements of the Commission's simplification efforts, and in particular: its minimal impact on the VAT base, the elimination of compensations and corrections, the sharp decrease in reservations and the decrease of administrative burden for Member States, including thanks to the use of the simplified calculation method for the weighted average rate of VAT (WAR), which for its resulting WAR between 2021 and 2024, remained close to the actual WAR from 2016.

In discussing the findings of the report, Member States welcomed the simplification introduced following the 2021 reform, as well as its drastic reduction of administrative burden. However, some Member States expressed concerns about deviations between the frozen 2016 WAR and current estimates, some of them calling for a recalculation of the WAR using updated data as soon as feasible, whilst others cautioned on the difficulties of calculating a new frozen WAR due to the limited availability of data and high administrative costs. Based on the discussion, the Commission committed to update the Internal Guide to the VAT-based own resource to align its interpretation of corrections related to (potential) VAT infringements with the provisions of the Council Regulation 1553/89, as amended by Council Regulation 2021/769 of 30 April 2021, in order to prevent discrepancies.

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<sup>1</sup> Doc. 16919/24, ACOR document shared with Member States ([Ares\(2025\)1886987](#) of 10/3).

Based on a **Presidency questionnaire on improving the current own resources system**<sup>1</sup>, Member States exchanged their opinions on how the current system of own resources as a whole functions and whether there are challenges and possible improvements in the specific functioning of the own resources based on GNI, VAT, non-recycled plastic packaging waste and traditional own resources. In particular Member States expressed their opinions on following topics: merging the making available regulations (MARs), review procedure governing disputes between the Commission and the Member States on making own resources available, unified rules for adjustments to the own resources of previous financial years, calculation methods of non-recycled plastic packaging waste, statistical method of traditional own resources losses attributable to the Member States, forecasting procedure and simplification possibilities in the own resources legislation. Most delegations consider that the technical functioning of the current system works generally well in terms of allowing the timely and smooth financing of the EU budget. However, some delegations point out to possible changes, which should be well thought out and limited to fine-tuning and harmonising the system without increasing the administrative burden and ensuring transparency, predictability and easy applicability to all types of own resources. Based on the discussion and written opinions received from Member States, the Presidency presented a summary note on the review of the system and concluding remarks<sup>2</sup>, which was positively assessed by the Member States.

Finally, the working party discussed the Commission **report on the cost-benefit analysis of the use of the central account referred to in Article 9(1)(c) of the making available regulation**<sup>3</sup>.

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<sup>1</sup> Doc. WK 34/2025 INIT.

<sup>2</sup> Doc. WK 34/2025 ADD 1.

<sup>3</sup> COM(2025) 161 final.

The Commission presented its evaluation of the selected treasury models, i.e. the central account model held in the European Central Bank and optimised treasury model, which involves three central cash holding accounts held in the chosen national central banks, in France, Germany and in Belgium (option outside the scope of the new provisions of Article 9 MAR). As a conclusion, the Commission recommends the option 2 - optimised treasury model - as a cost-effective solution for cash management system for current multiannual financial framework (MFF), assuming voluntary participation of the Member States. Whilst a few Member States viewed the optimised treasury model as promising, several others preferred their own choice of model. In this respect, Member States enquired whether the Commission would amend the MAR to this aim.

As a bridge between the discussions on the current system and the discussions on the proposed new own resources and other potential new own resources, the Presidency presented to the working party a note on the **regressiveness of the EU own resources system**<sup>1</sup>.

The note showed in particular the existing regressiveness of the current revenue system, in particular in light of the lump sum corrections to the annual GNI-based contributions for the period 2021-2027 of several Member States. The note equally noted that, whilst the VAT and plastic packaging waste own resources also have correction mechanisms they are inherently regressive<sup>2</sup>. The note showed, finally, how the ETS own resource, as proposed, would contribute to the regressiveness of the system<sup>3</sup>, and hinted at possible avenues of further work in order to tackle the observed regressivity.

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<sup>1</sup> Doc. WK 3182/2025 INIT.

<sup>2</sup> As a percentage of the GNI of the Member State relative to the GNI per capita of that Member State.

<sup>3</sup> Even though the proposal provides for a solidarity mechanism.

In reply to the questions contained in the note, whilst some Member States argued that the fairness of the revenue side could not be separated from the fairness of the expenditure side, others pointed to the need for the fairness of the revenue side to come along with the simplification of the system, including by eliminating lump sum corrections. In this respect, a Member State noted that only lump sums for the regressive own resources should be considered, while others suggested that any new own resources to be introduced should result in contribution key which would be closely correlated to the GNI key. Similarly, whilst some Member States argued that a dominance of the GNI-based own resource would mitigate the regressiveness of the system, another one suggested that introducing genuine new own resources would offset the said regressivity.

*An adjusted package for the next generation of own resources*

The Presidency kick-started this strand of work by discussing the state of play and, where available, updated revenue figures for the **proposed new own resources** based on the Carbon Border Adjustment Mechanism (CBAM), the Emissions Trading System (ETS), statistics-based company profits (CPOR), BEFIT (Business in Europe: Framework for Income Taxation) and Pillar I.

Several Member States were generally disappointed by the reluctance of the Commission to provide with updated revenue figures, and by its referral to work from 2023. The Commission however explained its approach by noting the problems of multiple spot-revisions of the estimates given the changes in prices.

As regards CBAM, Member States welcomed the explanation by the Commission with respect to the CBAM simplification proposal<sup>1</sup> (part of the ‘Omnibus I’ legislative package), the implications for the scope of CBAM and therefore of its potential effect on revenues.

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<sup>1</sup> Doc. 6609/25 (COM(2025) 87 final).

With respect to ETS, the opposition by some Member States on grounds of its regressiveness, and in contrast, the willingness of another group of Member States to consider the proposal was reiterated.

Finally, regarding the CPOR, the discussions showed the opposition of most Member States to this new own resource, in particular given its statistical nature.

Some Member States reminded of the importance of taking into account the current package as proposed and to respect the roadmap on the introduction of own resources.

The Presidency then brought forward the discussions on the current package by proposing an initial exploration of additional/alternative new own resources to the proposed package that could help gathering the required unanimity in Council.

To this aim, it presented a non-paper on **potential new own resources** for the EU budget<sup>1</sup>, which included a brief summary of past work and initial reflections, based on that work, on possible new own resources around several main axes: a) EU's border fees/taxes, including Pillar II taxation, withholding taxes on dividends, interest and royalties in the EU, "exit" taxes; b) the taxation of big multinationals and especially "big tech", suggesting the possible pursuit of negotiations on the 2018 Commission proposal for a digital services tax given the lack of international agreement on Pillar I OECD, a tax based on excess profits<sup>2</sup>, and internal market levy; c) taxing extreme wealth by introducing an own resource based on a minimum tax on the ultra-high-net-worth of individuals in the EU; d) climate and environmental own resources, such as one based on a levy to the aviation sector, and; e) own resources based on the taxation of the financial sector, for example via a financial transaction tax, a financial activities tax or based on crypto assets<sup>3</sup>.

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<sup>1</sup> Doc. WK 4848/2025 INIT.

<sup>2</sup> Based on Pillar I OECD.

<sup>3</sup> The non-paper also included "other revenue" from ETIAS, the European Travel Information and Authorisation System, from the excess emissions premium from manufacturers of passenger cars, or the revenues of a potential non-discriminatory handling fee in e-commerce.

The Commission greatly facilitated this strand of work by mobilising an important number of departments and colleagues to support the work of the Presidency and the working party. Many delegations welcomed the exercise, while acknowledging that tax discussions pertain to other fora, be that at national, EU or international level. Several Member States asked for the Commission to take into consideration the outcome of the discussion but also acknowledged the importance of conducting a thorough analysis. In that regard, some delegations asked not to lose sight of the current proposal from 2021 and revised in 2023, and to consider primarily additional proposals which could be introduced in time for the next MFF.

A few delegations believed that the current system was capable of covering any potential additional expenditure in the next MFF but showed openness to examine new proposals. In that regard, some other delegations underlined that any possible agreement must be considered as a package. Importantly, several delegations underlined the need for new own resources to be fair, whilst some delegations underlined the need for new own resources to reduce national revenue contributions (represent “fresh money”), reminding that many of the new ideas presented consisted of already existing national taxes in several Member States. In addition, the Presidency undertook to make a more in-depth analysis in the working party, on the basis of input from invited experts, on potential own resources based on: a) a common withholding tax in the EU; b) a minimum tax on the ultra-high-net-worth of individuals in the EU; c) taxation of large corporations; and d) a common EU digital tax.

As regards a), a few Member States showed great interest, but requested updated figures on revenue potential as well as on next steps for its practical implementation. Some Member States showed concerns on grounds of national sovereignty, the difficulties of harmonising tax rules vis-à-vis third countries, and possible behavioural effects.



Member States, whilst acknowledging international efforts (by the G20), had similar reactions regarding b), in particular they pointed out to: national sovereignty, difficulties at the technical level, a possible short-term focus on tax evasion/avoidance or potential court disputes given the existence of bilateral tax treaties with third countries and how to operationalise the proposal.

As regards c), a delegation considered unlikely a solution at the global level whilst another one showed strong support for the work on taxes which protect the EU's sovereignty.

Finally, regarding d), several Member States were open to the idea but were not optimistic about its possible introduction in time for the next MFF. Others advised caution as its introduction could trigger retaliatory measures by international partners. Because of those arguments, some Member States requested to focus on more likely candidates, whilst others asked to continue the work on the matter. A final group of Member States reminded of their existing national digital services taxes and underlined the careful political and technical considerations of such a proposal for a new own resource.

Additionally, Presidency asked the Commission to present state of play and progress on the legal framework related to cryptocurrencies to assess if the revenue from crypto assets could become a possible own resource once the appropriate level of regulation and harmonisation in this area will be achieved in the EU.

Finally, the working party also requested, and was provided with, a state of play on specific fees and penalties that may constitute other revenue for the EU budget (ETIAS fee, e-commerce handling fee, penalty for CO2 emissions for car manufacturers). Some Member States have expressed an interest in exploring the potential impact of fees and penalties on revenue to the EU budget.

### III. RECOMMENDATIONS

**Regarding assessment of the functioning of the current own resources system**, whilst reiterating the perception of Member States that it functions generally well by providing legal and regular revenues that allow stable financing of the EU budget, possible changes have been identified, that could contribute to simplifying the system, ensuring its transparency and predictability.

The Commission is invited to analyse suggested proposals and identify problematic issues thoroughly with a view to including them in possible legislative proposals<sup>1</sup>.

In addition, the Presidency believes that quick-to-implement technical changes to the making available of own resources regulation should be considered, such as: adjustments of the plastic-based own resource moved to March of the following year; the possibility for advance payments of the monthly plastic-based own resource contribution should be aligned with the VAT- and GNI-based own resources; and the threshold - below which interest amounts are waived - should be aligned for all own resources.

Other identified issues, which require further examination include: the possibility and the conditions under which the statistical method to quantify losses of traditional own resources attributable to the Member States can be used by the Commission; the introduction of a unified review procedure concluded with a Commission decision governing disputes between the Commission and the Member States; and the transfer of the provisions on the method of non-recycled plastic packaging waste calculation for contribution purposes from the Commission implementing act to the making available regulation or the adoption of the examination procedure.

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<sup>1</sup> These proposals of changes are presented in doc. WK 34/2025 ADD 1. Presidency questionnaire on improving the current own resources system. Presidency note based on Member States' replies.

The Presidency invites the Commission to also address some specific issues. These include in particular: the possibilities to update the frozen weighted average rate applied to the VAT-based own resources to ensure greater accuracy and fairness of the VAT-based contributions to the EU budget; and improving the calculation methodology of the plastic-based own resource, having in mind the comparability and reliability of data and without creating additional administrative burden; as well as problematic issues regarding traditional own resources like the determination of the starting point of the late payment interest calculation; and the lack of incentives for the Member States to carry out customs' checks and controls.

In the context of simplifying the own resources system, it should be recalled that the parallel existence of several making available regulations should be only temporary and such legal acts should be merged into one single regulation as soon as possible.

**Regarding the adjusted package for the next generation of own resources**, the European Commission's proposals have been re-examined and discussed, as explained in section II, but **substantial differences in assessment remain** and no significant convergence of positions was possible. The discussion was hindered by the lack of the updated financial data.

However, a **positive assessment of CBAM-based own resource proposal by many Member States should be noted**. In this regard, it is advisable that the European Commission prepares, early in the negotiations and no later than by the end of 2025, a **financial analysis of the extension of the CBAM scope**, including various financial options, depending on the scope of the extension of this mechanism to new sectors.

As regards the ETS proposal, despite support from a group of Member States, several Member States raise concerns in terms of increasing the regressiveness of the system and negatively impacting the EU's energy and climate policy by depriving Member States of part of the resources needed to pursue this policy.

Furthermore, the Presidency believes that the ETS-based proposal faces challenges stemming from the targeted emission reduction and inherent price volatility of the ETS system, which undermines predictability and stability in EU financing. The expansion of the ETS to sectors such as buildings and road transport is also expected to disproportionately impact low-income households and SMEs. This reinforces distributional challenges, particularly as available funds remain limited in both scope and duration. Taking into account increasing global competition, particular attention should be given to ensuring that the design of new revenue sources does not disproportionately affect internal economic actors, but rather seeks a balanced and fair contribution from those operating within and benefiting from the Single Market, including external entities.

In light of the discussions, the Presidency believes that **modifications to the proposed package appear to be necessary**. In particular, it is important that the EU's own resources system places as little burden as possible on EU citizens and businesses and does not undermine the competitive position of the EU economy. Those who benefit from the single market, including foreign entities/platforms and multinational companies (especially digital ones), should contribute fairly to its financing.

In order to reach an agreement and compromise, the Presidency believes that future proposals should not exacerbate the problem of the regressiveness of the EU budget financing system and, in accordance with the Treaty, take greater account of the contributive capacity of individual Member States in the system of own resources, and correct, for the less prosperous Member States, regressive elements existing in the present own resources system. Insufficient consideration of the problem of regressiveness could be a key obstacle to reaching a future agreement on the financing of the EU budget whereas, as stated in the roadmap attached to the December 2020 Interinstitutional agreement: “It is also desirable to mitigate the increases in the GNI-based own resource for the Member States.”.

The Presidency believes therefore that the Commission and the Council should - finally continue their work on other revenues for the EU budget (such as fees and penalties), without prejudice to sectoral discussions and to the role given by article 311 TFEU to own resources. Despite varying financial impacts of introduced or planned other revenues, which may come from i.e. levies, fees, fines or other sources, their combined effect could be significant for the financing of EU policies after 2027. It is advisable that the European Commission **prepares comprehensive information on existing and planned other revenues to the EU budget, together with forecasts of their financial impact as soon as possible but by the end of 2025 at the latest.**

#### IV. CONCLUSION

In the light of the work carried out so far under the WPOR between January and June 2025 on the current own resources system and its future shape, the Presidency invites Member States to take note of the progress made during the Polish Presidency and of the above recommendations.

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